

DARLING INTERNATIONAL INC
Form 10-K
March 30, 2001

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 30, 2000

OR

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

For the transition period from _____ to _____

Commission File Number 0-24620

DARLING INTERNATIONAL INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction

of incorporation or organization)

36-2495346

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

251 O'Connor Ridge Blvd., Suite 300

Irving, TX

(Address of principal executive offices)

75038

(Zip Code)

Registrant's telephone number, including area code: (972) 717-0300

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock \$0.01 par value per share

(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 (or for such shorter period that the Registrant was required to file such report(s)), 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 the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$6,727,910 as of March 21, 2001 based upon the closing price of such stock as reported on the American Stock Exchange ("AMEX") on that day.

There were 15,589,077 shares of common stock, \$0.01 par value, outstanding at March 21, 2001.

DOCUMENTS INCORPORATED BY REFERENCE

Selected designated portions of the Registrant's definitive Proxy Statement to be filed on or before April 30, 2001 in connection with the Registrant's 2001 Annual Meeting of stockholders are incorporated by reference into Part III of this Annual Report.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 30, 2000

TABLE OF CONTENTS

PART I.

IMPORTANT INFORMATION - GOING CONCERN RISK.....	
ITEM 1. BUSINESS.....	
ITEM 2. PROPERTIES.....	
ITEM 3. LEGAL PROCEEDINGS.....	
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.....	

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.....	
ITEM 6. SELECTED FINANCIAL DATA.....	
ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.....	
ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS.....	
ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.....	
ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.....	

PART III.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.....	
ITEM 11. EXECUTIVE COMPENSATION.....	
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.....	
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.....	

PART IV.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.....	
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SIGNATURES

**DARLING INTERNATIONAL INC. AND SUBSIDIARIES
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 30, 2000**

PART I

GOING CONCERN RISK

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As shown in the Consolidated Balance Sheet at December 30, 2000, the Company has \$109.5 million of debt due under its bank credit facilities classified as a current liability because it matures in June, 2001. If the Company is unable to consummate the debt financing discussed herein, then, in the absence of another business transaction or debt agreement, the Company cannot make the principal payment due at maturity and, accordingly, the lenders could declare a default, and attempt to realize upon the collateral securing the debt, (which comprises substantially all the Company's assets). As a result of this material uncertainty, there is doubt about the Company's ability to continue as a going concern for a reasonable period of time. See Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources and Note 2 of the Notes to Consolidated Financial Statements contained elsewhere herein.

ITEM 1. BUSINESS

General

Founded by the Swift meat packing interests and the Darling family in 1882, Darling International Inc. ("Darling" or the "Company") was incorporated in Delaware in 1962 under the name "Darling-Delaware Company, Inc." On December 28, 1993, the Company changed its name from "Darling-Delaware Company, Inc." to "Darling International Inc." The address of the Company's principle executive office is 251 O'Connor Ridge Boulevard, Suite 300, Irving, Texas, 75038, and its telephone number at such address is (972) 717-0300.

The Company is a recycler of food processing by-products and believes that it is the largest publicly traded processor in the United States in terms of raw material processed annually.

The Company collects and recycles animal processing by-products and used restaurant cooking oil. In addition, the Company provides grease trap collection services to restaurants. The Company processes such raw materials at 27 facilities located throughout the United States into finished products such as tallow, meat and bone meal and yellow grease. The Company sells these products nationally and internationally, primarily to producers of various industrial and commercial oleo-chemicals, soaps, pet foods and livestock feed, for use as ingredients in their products or for further processing into basic chemical compounds.

Commencing 1998, as part of an overall strategy to better commit financial resources, the Company reorganized its operations into three diverse, yet distinctive areas. These are: 1) Rendering, the core business of turning inedible waste from meat and poultry processors into high quality feed ingredients and fats for other industrial applications; 2) Restaurant Services, a group focused on growing the grease collection business while expanding the line of services, which includes grease trap servicing, offered to restaurants and food processors; and 3) Esteem Products, the business dedicated to using newly developed technologies to produce novel products from established supply sources. Due to unfavorable market conditions resulting from declining prices, in Fiscal 2000, the Esteem Product division was combined with the Company's rendering operations. Prior year segment information has been recast to conform with

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Fiscal 2000. In November 1998, the Company made a strategic decision to dispose of an additional segment, Bakery By-Products Recycling, a group which produces high quality bakery by-products for the feed industry. The results of the Bakery By-Products Recycling segment have been reported separately as discontinued operations. See Note 15 of Notes to Consolidated Financial Statements for further information regarding discontinued operations. For the financial results of the Company's business segments, see Note 17 of Notes to Consolidated Financial Statements.

The Company's net sales from continuing operations were \$242.8 million, \$258.6 million, and \$337.0 million during Fiscal 2000, 1999 and 1998, respectively. In addition, net external sales by operating segment, including discontinued operations, were as follows:

	Fiscal 2000		Fiscal 1999		Fiscal 1998
Continuing operations:					
Rendering	\$186,445	76.8%	\$204,631	79.1%	\$275,580
Restaurant Services	56,350	23.2	53,939	20.9	61,451
Discontinued operations:					
Bakery By-Products Recycling	—	—	—	—	37,456
Total	\$242,795	100.0%	\$258,570	100.0%	\$374,487

Processing Operations

The Company creates finished products primarily through the drying, grinding, separating and blending of its various raw materials. The process starts with the collection of animal processing by-products (fat, bones, feathers and offal), and used restaurant cooking oil from meat packers, grocery stores, butcher shops, meat markets, poultry processors and restaurants.

The animal processing by-products are ground and heated to extract water and separate oils from animal tissue as well as to sterilize and make the material suitable as an ingredient for animal feed. Meat and bone meal is separated from the cooked material by pressing the material, then grinding and sifting it through screens. The separated tallow is centrifuged and/or refined for purity. The primary finished products derived from the processing of animal by-products are tallow and meat and bone meal. Other by-products include poultry meal, feather meal and blood meal. Used restaurant cooking oil is processed under a separate procedure that involves heating, settling and sterilizing, as well as refining, resulting in derived yellow grease, feed-grade animal fat, or oleo-chemical feedstocks.

Purchase and Collection of Raw Materials

The Company operates a fleet of approximately 800 trucks and tractor-trailers to collect raw materials from more than 80,000 restaurants, butcher shops, grocery stores, and independent meat and poultry processors. The Company replaces or upgrades its vehicle fleet to maintain efficient operations.

Raw materials are collected in one of two manners. Certain large suppliers, such as large meat processors and poultry processors are furnished with bulk trailers in which the raw material is loaded. The Company transports these trailers directly to a processing facility. The Company provides the remaining suppliers, primarily grocery stores and butcher shops with containers in which to deposit the raw material. The containers are picked up by or emptied into Company trucks on a periodic basis. The type and frequency of service is determined by individual supplier requirements, the volume of raw material generated by the supplier, supplier location, and weather, among other factors.

Used restaurant cooking oil is placed in various sizes and types of containers which are supplied by the Company. In some instances, these containers are loaded directly onto the trucks, while in other instances the oil is pumped through a vacuum hose into the truck. The Company also provides an alternative collection service to restaurants

called CleanStar 2000, which is a self-contained collection system that is housed inside the restaurant, with the used cooking oil pumped directly into collection vehicles via an outside valve. The CleanStar 2000 system and service is provided either on a fee basis to the raw material customer or as a negotiated offset to the cost of raw materials purchased. Approximately 9% of the Company's restaurant suppliers utilize the CleanStar 2000 system. The frequency of all forms of collection service is determined by the volume of oil generated by the restaurant.

The raw materials collected by the Company are transported either directly to a processing plant or to a transfer station, where materials from several collection routes are loaded into trailers and transported to a processing plant. Collections of animal processing by-products generally are made during the day, and materials are delivered to plants for processing within 24 hours of collection to eliminate spoilage. Collection of used restaurant cooking oil can be made at any time of the day or night, depending on supplier preference; these materials may be held for longer periods of time before processing. The Company charges a collection fee to offset a portion of the cost incurred in collecting raw material.

During the past year, the Company's largest single supplier accounted for less than 8% of the total raw material processed by the Company, and the 10 largest raw materials suppliers accounted for approximately 31% of the total raw material processed by the Company. For a discussion of the Company's competition for raw materials, see "Competition."

Raw Materials Pricing

The Company has two primary pricing arrangements with its raw materials suppliers. Approximately half of the Company's annual volume of raw materials is acquired on a "formula" basis. Under a formula arrangement, the charge or credit for raw materials is tied to published finished product commodity prices after deducting a fixed service charge. The Company acquires the remaining annual volume of raw material under "non-formula" arrangements whereby suppliers either are paid a fixed price, are not paid, or are charged for the collection service, depending on various economic and competitive factors.

The credit received or amount charged for raw material under both formula and non-formula arrangements is based on various factors, including the type of raw materials, the expected value of the finished product to be produced, the anticipated yields, the volume of material generated by the supplier, and processing and transportation costs. Competition among processors to procure raw materials also affects the price paid for raw materials. See "Competition."

Formula prices are generally adjusted on a weekly or monthly basis while non-formula prices or charges are adjusted as needed to respond to changes in finished product prices.

Finished Products

The finished products that result from the processing of animal by-products are oils (primarily tallow and yellow grease) and proteins (primarily meat and bone meal). Oils are used as ingredients in the production of pet food, animal feed and soaps. Oleo-chemical producers use these oils as feedstocks to produce specialty ingredients used in paint, rubber, paper, concrete, plastics and a variety of other consumer and industrial products. Meals are used primarily as high protein additives in pet food and animal feed.

Predominantly all of the Company's finished products are commodities which are quoted on established commodity markets or are priced relative to such commodities. While the Company's finished products are generally sold at prices prevailing at the time of sale, the Company's ability to deliver large quantities of finished products from multiple locations and to coordinate sales from a central location enables the Company to occasionally receive a premium over the then-prevailing market price.

Marketing, Sales and Distribution of Finished Products

The Company markets its finished products worldwide. Marketing activities are primarily conducted through the Company's marketing department which is headquartered in Irving, Texas. The Company also maintains sales offices in Los Angeles, California, and Newark, New Jersey for sales and distribution of selected products. This sales force is in contact with several hundred customers daily and coordinates the sale and assists in the distribution of most finished products produced at the Company's processing plants. The Company sells its finished products internationally through commodities brokers and through Company agents in various countries.

The Company sells to numerous foreign markets, including the European Economic Community, Asia, the Pacific Rim, North Africa, Mexico and South America. The Company has no material foreign operations, but exports a portion of its products to customers in various foreign countries. Total export sales were \$128.7 million, \$107.4 million, and \$128.8 million for the years ended December 30, 2000, January 1, 2000, and January 2, 1999, respectively. The level of export sales may vary from year to year depending on the relative strength of domestic versus overseas markets. The Company obtains payment protection for most of its foreign sales by requiring payment before shipment or by requiring bank letters of credit or guarantees of payment from U.S. government agencies. The Company ordinarily is paid for its products in U.S. dollars and has not experienced any material currency translation losses or any material foreign exchange control difficulties.

The Company has not experienced any material restrictions on the export of its products, although certain countries, including India and certain Middle East countries restrict the import of proteins and fats and oils made from porcine and bovine material, and the European Community has restrictions on proteins and fats and oils made from specified bovine materials. The Bovine Spongiform Encephalopathy ("BSE") situation in Europe and new F.D.A. restrictions, coupled with much lower prices for competing commodities, caused lower prices for some of the Company's key products. See Note 17 of Notes to Consolidated Financial Statements for information regarding the Company's export sales.

Finished products produced by Darling are distributed primarily by truck and rail from the Company's plants shortly following production. While there are some temporary inventory accumulations at various port locations for export shipments, inventories rarely exceed three weeks' production and, therefore, the Company uses limited working capital to carry inventories and reduces its exposure to fluctuations in commodity prices.

Competition

Management of the Company believes that the most competitive aspect of the business is the procurement of raw materials rather than the sale of finished products. During the last ten years, pronounced consolidation within the meat packing industry has resulted in bigger and more efficient slaughtering operations, the majority of which utilize "captive" processors. Simultaneously, the number of small meat packers, which have historically been a dependable source of supply for non-captive processors, has decreased significantly. Although the total amount of slaughtering may be flat or only moderately increasing, the availability, quantity and quality of raw materials available to the independent processors from these sources have all decreased. These factors have been offset, in part, however, by increasing environmental consciousness. The need for restaurants to comply with environmental regulations concerning the proper disposal of used restaurant cooking oil is offering a growth area for this raw material source.

In marketing its finished products, the Company faces competition from other processors and from producers of other suitable commodities. Tallows and greases are in certain instances substitutes for soybean oil and palm stearine, while meat and bone meal is a substitute for soybean meal. Consequently, the prices of tallow, yellow grease, and meat and bone meal correlate with these substitute commodities. The markets for finished products are impacted mainly by the worldwide supply of fats, oils, proteins and grains. Other factors that influence the prices that the Company receives for its finished products include the quality of the Company's finished products, consumer health consciousness, worldwide credit conditions and U.S. government foreign aid. From time to time, the Company enters

into arrangements with its suppliers of raw materials pursuant to which such suppliers buy back the Company's finished products.

Seasonality

The amount of raw materials made available to the Company by its suppliers is relatively stable on a weekly basis except for those weeks which include major holidays, during which the availability of raw materials declines because major meat and poultry processors are not operating. Weather is also a factor. Extremely warm weather adversely affects the ability of the Company to make higher quality products because the raw material deteriorates more rapidly than in cooler weather, while extremely cold weather, in certain instances, can hinder the collection of raw materials.

Employees and Labor Relations

As of December 30, 2000, the Company employed approximately 1,242 persons full-time in continuing business segments. Approximately 42% of the total number of employees are covered by collective bargaining agreements; however, the Company has no national or multi-plant union contracts. Management believes that the Company's relations with its employees and their representatives are good. There can be no assurance, however, that new agreements will be reached without union action or will be on terms satisfactory to the Company.

Regulations

The Company is subject to the rules and regulations of various federal, state and local governmental agencies. These include, but are not limited to, the FDA, which regulates food and feed production, USDA, which regulates collection and production methods, EPA, which regulates air and water discharge requirements, as well as local and state agencies governing air and water discharge. Such rules and regulations may influence the Company's operating results at one or more facilities.

The FDA rule on the feeding of mammalian protein to ruminant animals took effect in August, 1997, as a measure to prevent the potential occurrence of BSE in the United States. The Company's management believes it is in compliance with the provisions of the rule.

ITEM 2. PROPERTIES

The Company's 27 operating facilities consist of 20 full service rendering plants, 4 yellow grease/trap grease plants, 1 blending plant, 1 edible plant, and 1 trap grease plant. Except for 4 leased facilities, all of these facilities are owned by the Company. In addition, the Company owns or leases 21 transfer stations in the United States and 1 transfer station in Canada that serve as collection points for routing raw material to the processing plants set forth below. Some locations service a single business segment while others service multiple business segments. The following is a listing of the Company's operating facilities by business segment:

LOCATION -----	DESCRIPTION -----
Combined Rendering and Restaurant Services Business Segments -----	
Blue Earth, MN	Rendering/Yellow Grease
Boise, ID	Rendering/Yellow Grease
Collinsville, OK	Rendering/Yellow Grease
Dallas, TX	Rendering/Yellow Grease
Detroit, MI	Rendering/Yellow Grease/Trap
Fresno, CA	Rendering/Yellow Grease
Kansas City, KS	Rendering/Yellow Grease
Los Angeles, CA	Rendering/Yellow Grease/Trap
Newark, NJ	Rendering/Yellow Grease

Competition

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Norfolk, NE	Rendering/Yellow Grease
San Francisco, CA	Rendering/Yellow Grease/Trap
Sioux City, IA	Rendering/Yellow Grease
St. Louis, MO	Rendering/Yellow Grease
Tacoma, WA	Rendering/Yellow Grease/Trap
Turlock, CA	Rendering/Yellow Grease

Rendering Business Segment

Coldwater, MI	Rendering
Houston, TX	Rendering
Linkwood, MD	Rendering
Omaha, NE	Rendering
Omaha, NE	Blending
Omaha, NE	Edible Oils
Wahoo, NE	Rendering

Restaurant Services Business Segment

Chicago, IL	Trap
Ft. Lauderdale, FL	Yellow Grease/Trap
Houston, TX	Yellow Grease/Trap
No. Las Vegas, NV	Yellow Grease/Trap
Tampa, FL	Yellow Grease/Trap

ITEM 3. LEGAL PROCEEDINGS

LITIGATION

Melvindale

A group of residents living near the Company's Melvindale, Michigan plant has filed suit, purportedly on behalf of a class of persons similarly situated. The class has been certified for injunctive relief only. The court declined to certify a damage class but has permitted approximately 300 people to join the lawsuit as plaintiffs. The suit is based on legal theories of trespass, nuisance and negligence and/or gross negligence, and is pending in the United States District Court, Eastern District of Michigan. Plaintiffs allege that emissions to the air, particularly odor, from the plant have reduced the value and enjoyment of Plaintiffs property, and Plaintiffs seek damages, including mental anguish, exemplary damages and injunctive relief. In a lawsuit with similar factual allegations, also pending in United States District Court, Eastern District of Michigan, the City of Melvindale has filed suit against the Company based on legal theories of nuisance, trespass, negligence and violation of Melvindale nuisance ordinances seeking damages and declaratory and injunctive relief. The court has dismissed the trespass counts in both lawsuits. The Company or its predecessors have operated a rendering plant at the Melvindale location since 1927 in a heavily industrialized area down river south of Detroit. The Company has taken and is taking all reasonable steps to minimize odor emissions from its recycling processes and is defending the lawsuit vigorously.

Other Litigation

The Company is also a party to several other lawsuits, claims and loss contingencies incidental to its business, including assertions by certain regulatory agencies related to environmental matters.

Self Insured Risks

The Company purchases its workers compensation, auto and general liability insurance on a retrospective basis. The Company accrues its expected ultimate costs related to claims occurring during each fiscal year and carries this accrual as a reserve until such claims are paid by the Company.

The Company has established loss reserves for insurance, environmental and litigation matters as a result of the matters discussed above. Although the ultimate liability cannot be determined with certainty, management of the Company believes that reserves for contingencies are reasonable and sufficient based upon present governmental regulations and information currently available to management. The Company estimates possible losses related to environmental and litigation matters, based on certain assumptions, is approximately \$1.1 million at December 30, 2000. The accrued expenses and other noncurrent liabilities classifications in the Company's consolidated balance sheets include reserves for insurance, environmental and litigation contingencies of \$14.7 million and \$17.1 million at December 30, 2000 and January 1, 2000, respectively. There can be no assurance, however, that final costs related to these matters will not exceed current estimates. The Company believes that any additional liability relative to such lawsuits and claims which may not be covered by insurance would not likely have a material adverse effect on the Company's financial position, although it could potentially have a material impact on the results of operations in any one year.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the quarter ended December 30, 2000.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's common stock is traded on the American Stock Exchange under the symbol "DAR". The following table sets forth, for the quarters indicated, the high and low sales prices per share for the common stock as reported on the American Stock Exchange.

Fiscal Quarter	Market Price	
	High	Low
2000:		
First Quarter	\$2.000	\$1.625
Second Quarter	\$1.750	\$1.125
Third Quarter	\$1.375	\$0.250
Fourth Quarter	\$0.875	\$0.250
1999:		
First Quarter	\$3.500	\$1.750
Second Quarter	\$2.125	\$1.500
Third Quarter	\$2.000	\$1.063
Fourth Quarter	\$3.000	\$0.875

The Company has been notified by its stock transfer agent that as of March 21, 2001, there were 87 "registered" holders of record of the common stock. There are approximately 500 beneficial stockholders of the common stock.

The Company's Credit Agreement restricts the Company's ability to pay dividends. The Company does not

currently anticipate paying cash dividends on the common stock in the foreseeable future, but intends instead to retain future earnings for reinvestment in its business or reduction of its indebtedness.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 30, 2000

PART II

ITEM 6. SELECTED FINANCIAL DATA

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following table presents selected consolidated historical financial data for the periods indicated. The selected historical consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements of the Company for the three years ended December 30, 2000, January 1, 2000, and January 2, 1999, and the related notes thereto.

	Fiscal 2000	Fiscal 1999	Fiscal 1998	Fiscal 1997
	Fifty-two Weeks Ended December 30, 2000	Fifty-two Weeks Ended January 1, 2000	Fifty-two Weeks Ended January 2, 1999	Fifty-two Weeks Ended January 2, 1998
Operating Data:				
Net sales	\$242,795	\$258,570	\$337,031	\$444,000
Cost of sales and operating expenses	190,283	210,879	283,822	362,000
Selling, general and administrative expenses	26,736	26,773	33,073	33,000
Depreciation and amortization	31,181	32,912	32,418	29,000
Provision for loss contingencies	-	-	-	-
Operating income/(loss)	(5,405)	(11,994)	(12,282)	18,000
Interest expense	13,971	15,533	12,747	13,000
Other (income)/expense, net	184	(1,812)	1,117	(1,000)
Income/(loss) from continuing operations before income taxes	(19,560)	(25,715)	(26,146)	6,000
Income tax expense/(benefit)	-	(10,015)	(9,347)	2,000
Earnings/(loss) from continuing operations	(19,560)	(15,700)	(16,799)	4,000
Discontinued operations:				
Income/(loss) from discontinued operations, net of tax	-	-	(637)	1,000
Gain (loss) on disposal, net of tax	371	(333)	(14,657)	-
Net income /(loss)	\$ (19,189)	\$ (16,033)	\$ (32,093)	\$ 5,000
Basic earnings/(loss) per common share	\$ (1.23)	\$ (1.03)	\$ (2.06)	\$ 0.20
Diluted earnings/(loss) per common share	\$ (1.23)	\$ (1.03)	\$ (2.06)	\$ 0.18
Weighted average shares outstanding	15,589	15,589	15,581	15,581

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Diluted weighted average shares outstanding	15,589	15,589	15,581	16
Other Data:				
EBITDA (a)	\$ 25,776	\$ 20,918	\$ 20,136	\$ 48
Depreciation	25,541	26,998	26,432	24
Amortization	5,640	5,914	5,986	5
Capital expenditures	7,684	9,851	14,967	24

Balance Sheet Data:				
Working capital (deficiency)	\$ (106,809)	\$ (5,223)	\$ 3,070	\$ 5
Total assets	174,505	197,804	263,166	305
Current portion of long-term debt	109,528	7,810	7,717	5
Total long-term debt less current portion	-	110,209	140,613	142
Stockholders' equity	2,724	21,913	37,946	69

- (a) "EBITDA" represents, for any relevant period, operating profit plus depreciation and amortization of assets, and provision for loss contingencies. EBITDA is presented here not as a measure of the Company's debt service ability and is not intended to be a presentation in accordance with accounting principles.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the historical consolidated financial statements and notes thereto included in Item 8. Beginning in 1998, the Company was organized along operating business segments. See Note 17 of Notes to Consolidated Financial Statements.

Results of Operations

Fifty-two Week Fiscal Year Ended December 30, 2000 ("Fiscal 2000") Compared to Fifty-two Week Fiscal Year Ended January 1, 2000 ("Fiscal 1999")

General

The Company recorded a loss from continuing operations of \$19.6 million for Fiscal 2000 compared to a loss from continuing operations of \$15.7 million for Fiscal 1999. The Company's operating loss decreased from \$12.0 million for Fiscal 1999 to \$5.4 million for Fiscal 2000. The improvement was primarily due to reductions in cost of sales and operating expenses, partially offset by reductions in net sales.

Net Sales

The Company collects and processes animal by-products (fat, bones and offal), and used restaurant cooking oil to produce finished products of tallow, meat and bone meal, and yellow grease. Sales are significantly affected by finished goods prices, quality of raw material, and volume of raw material. Net sales include the sales of produced finished goods, grease trap services, and finished goods purchased for resale, which constitute less than 12% of total sales.

During Fiscal 2000, net sales decreased by \$15.8 million (6.1%) to \$242.8 million as compared to \$258.6 million during Fiscal 1999, primarily due to the following: 1) decreases in overall finished goods prices resulted in an \$11.1 million decrease in sales during Fiscal 2000 versus Fiscal 1999. (The Company's average yellow grease prices were 12.12% lower, average tallow prices were 13.41% lower, and average meat and bone meal prices were 27.02% higher); 2) decreases in products purchased for resale resulted in an \$11.9 million sales decrease; 3) decreases in the volume of raw materials processed resulted in a \$9.7 million decrease in sales; and 4) other items decreased \$1.2

million compared to Fiscal 1999; partially offset by 5) increases in collection fees (to offset a portion of the cost incurred in collecting raw material) of \$13.0 million; 6) improved yields in production of \$4.1 million; and 7) increases in finished hides sales which accounted for \$1.0 million.

Cost of Sales and Operating Expenses

Cost of sales and operating expenses includes prices paid to raw material suppliers, the cost of product purchased for resale, and the cost to collect and process the raw material. The Company utilizes both fixed and formula pricing methods for the purchase of raw materials. Fixed prices are adjusted where possible as needed for changes in competition and significant changes in finished goods market conditions, while raw materials purchased under formula prices are correlated with specific finished goods prices.

During Fiscal 2000, cost of sales and operating expenses decreased \$20.6 million (9.8%) to \$190.3 million as compared to \$210.9 million during Fiscal 1999, primarily as a result of the following: 1) lower raw material prices paid, correlating to decreased prices for fats and oils and meat and bone meal, resulted in decreases of \$6.4 million in cost of sales; 2) decreases in products purchased for resale resulted in a \$11.9 million decrease; 3) decreases in the volume of raw materials collected and processed resulted in a decrease of approximately \$1.8 million in cost of sales; 4) reductions in repairs expense, payroll, and contract hauling operating expenses of \$4.8 million; and 5) other changes resulted in a decrease of \$2.7 million; partially offset by 6) increases in natural gas, sewer expense and utilities, resulted in an increase of \$6.7 million; and 7) increases in hides purchases of \$0.3 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$26.7 million during Fiscal 2000, a \$0.1 million decrease from \$26.8 million during Fiscal 1999. Decreases in professional and legal fees were partially offset by various expense increases.

Depreciation and Amortization

Depreciation and amortization charges decreased \$1.7 million, to \$31.2 million during Fiscal 2000 as compared to \$32.9 million during Fiscal 1999. Included in Fiscal 2000 and Fiscal 1999 depreciation and amortization expense are impairment charges of \$4.0 million and \$1.4 million, respectively, due to impairment recorded in accordance with Statement of Financial Accounting Standards No. 121.

Interest Expense

Interest expense was \$14.0 million during Fiscal 2000, compared to \$15.5 million during Fiscal 1999, a decrease of \$1.5 million. Lower debt during Fiscal 2000 was partially offset by higher interest rates.

Income Taxes

The Company recorded a valuation allowance to eliminate the deferred tax benefit attributable to the Fiscal 2000 loss. This results in a decrease in income tax benefit of \$10.0 million, compared to Fiscal 1999. In Fiscal 1999, the Company recorded a \$10.0 million income tax benefit, which consisted of \$9.2 million of federal tax benefit and \$0.8 million for various state and foreign tax benefits.

Capital Expenditures

The Company made capital expenditures of \$7.7 million during Fiscal 2000 as compared to \$9.9 million in Fiscal 1999.

Discontinued Operations

The operations of the Bakery By-Products Recycling segment have been classified as discontinued operations. In Fiscal 2000, the Company realized a gain related to a reduction in an indemnification reserve, net of tax, of \$0.4 million related to the sale of this business segment which was finalized on April 5, 1999, compared to a loss of \$0.3 million in Fiscal 1999.

Fifty-two Week Fiscal Year Ended January 1, 2000, ("Fiscal 1999") Compared to Fifty-two Week Fiscal Year Ended January 2, 1999 ("Fiscal 1998")

General

The Company recorded a loss from continuing operations of \$15.7 million for Fiscal 1999 compared to a loss from continuing operations of \$16.8 million for Fiscal 1998. The Company's operating loss decreased from \$12.3 million for Fiscal 1998 to \$12.0 million for Fiscal 1999. The improvement was primarily due to reductions in selling, general and administrative costs and operating expenses. Interest expense increased from \$12.7 million in Fiscal 1998 to \$15.5 million in Fiscal 1999, primarily due to higher overall interest rates.

In 1998, the Company made a strategic decision to discontinue the operations of the Bakery By-Products Recycling segment in order to concentrate its financial and human resources on its other business segments. The sale was finalized on April 5, 1999. During Fiscal 1998, the Company recorded an estimated loss on the disposal of the discontinued segment, net of tax, of \$14.7 million. The results of the Bakery By-Products Recycling segment have been reported separately as discontinued operations for each year presented.

Net Sales

During Fiscal 1999, net sales decreased by \$78.4 million (23.3%) to \$258.6 million as compared to \$337.0 million during Fiscal 1998, primarily due to the following: 1) decreases in overall finished goods prices resulted in an \$46.3 million decrease in sales during Fiscal 1999 versus Fiscal 1998. (The Company's average yellow grease prices were 18.96% lower, average tallow prices were 21.94% lower, and average meat and bone meal prices were 15.69% lower); 2) decreases in the volume of raw materials processed resulted in a \$25.0 million decrease in sales; 3) decreases in finished hides sales accounted for \$4.4 million in sales decreases; 4) decreases in products purchased for resale resulted in a \$10.5 million sales decrease, partially offset by 5) increases in collection fees (to offset a portion of the cost incurred in collecting raw material) of \$7.2 million and inventory changes of \$0.6 million somewhat offset the decreases.

Cost of Sales and Operating Expenses

During Fiscal 1999, cost of sales and operating expenses decreased \$72.9 million (25.7%) to \$210.9 million as compared to \$283.8 million during Fiscal 1998, primarily as a result of the following: 1) lower raw material prices paid, correlating to decreased prices for fats and oils and meat and bone meal, resulted in decreases of \$43.0 million in cost of sales; 2) decreases in the volume of raw materials collected and processed resulted in a decrease of approximately \$5.1 million in cost of sales and operating expenses; 3) decreases in products purchased for resale resulted in a \$10.0 million decrease; 4) decreases in hides purchases accounted for \$4.0 million in cost of sales decrease; 5) decreases in operating expenses, primarily labor, repairs, natural gas and contract hauling costs, resulted in a decrease of \$11.6 million; and 6) inventory and other changes resulted in an increase of \$0.8 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were \$26.8 million during Fiscal 1999, a \$6.3 million decrease from \$33.1 million during Fiscal 1998. Decreases were realized in labor costs, travel and entertainment, and professional and legal fees.

Depreciation and Amortization

Depreciation and amortization charges increased \$0.5 million, to \$32.9 million during Fiscal 1999 as compared to \$32.4 million during Fiscal 1998, primarily due to impairment charges of \$1.4 million in Fiscal 1999, recorded in accordance with Statement of Financial Accounting Standards No. 121.

Interest Expense

Interest expense increased \$2.8 million, to \$15.5 million during Fiscal 1999 as compared to \$12.7 million during Fiscal 1998, primarily due to increases in the overall interest rate partially offset by a \$30.3 million reduction in principal.

Income Taxes

The income tax benefit of \$10.0 million for Fiscal 1999 consists of \$9.2 million of federal tax benefit and \$0.8 million for various state and foreign tax benefits. In Fiscal 1998, the Company recorded a \$9.3 million income tax benefit which consisted of \$8.5 million of federal tax benefit and \$0.8 million for various state and foreign tax benefits.

Capital Expenditures

The Company made capital expenditures of \$9.9 million during Fiscal 1999 as compared to \$15.0 million in Fiscal 1998.

Discontinued Operations

The operations of the Bakery By-Products Recycling segment have been classified as discontinued operations. The Company realized an additional loss on disposal, net of tax, of \$0.3 million on the sale of this business segment which was finalized on April 5, 1999, in addition to the amount estimated in Fiscal 1998.

LIQUIDITY, GOING CONCERN RISK, AND CAPITAL RESOURCES

At December 30, 2000, the Company's borrowings under the Amended and Restated Credit Agreement were classified as a current liability. As of December 30, 2000, the Company was in compliance with all provisions of this agreement, and the Company has been in compliance with all provisions of this agreement, and has made all interest and principal payments as they have come due since the Amended and Restated Credit Agreement's inception on January 22, 1999.

The Company's management has been in discussions with the Company's lenders regarding obtaining either new financing or extending the existing Amended and Restated Credit Agreement, but no agreement has been consummated. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments related to recoverability and classification of liabilities that might

be necessary should the Company be unable to continue as a going concern. If the Company is not successful in obtaining new financing or extending the existing Amended and Restated Credit Agreement, the lenders could declare a default and attempt to realize upon the collateral securing the debt, (which comprises substantially all the Company's assets). The absence of a new financing agreement or extension of the existing Amended and Restated Credit Agreement, creates a material uncertainty regarding the ability of the Company to continue as a going concern. Management is not able to predict what the outcome or consequences of these matters might be.

Effective June 5, 1997, the Company entered into a Credit Agreement (the "Credit Agreement") which originally provided for borrowings in the form of a \$50,000,000 Term Loan and \$175,000,000 Revolving Credit Facility. On October 3, 1998, the Company entered into an amendment of the Credit Agreement whereby BankBoston, N.A., as agent, and the other participant banks in the Credit Agreement (the "Banks") agreed to forbear from exercising rights and remedies arising as a result of several existing events of default of certain financial covenants (the "Defaults") under the Credit Agreement, as amended, until November 9, 1998.

On November 6, 1998, the Company entered into an extension of the amended Credit Agreement whereby the Banks agreed to forbear from exercising rights and remedies arising as a result of the Defaults until December 14, 1998. The forbearance period was subsequently extended to January 22, 1999. On January 22, 1999, the Company and the banks entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement").

The Amended and Restated Credit Agreement provides for borrowing in the form of a \$36,702,000 Term Loan and \$135,000,000 Revolving Credit Facility. As of December 30, 2000, the Term Loan was paid in full.

The Revolving Credit Facility provides for borrowings up to a maximum of \$135,000,000 with sublimits available for letters of credit and a swingline. Under the Amended and Restated Credit Agreement, the Revolving Credit Facility bears interest, payable quarterly, at a Base Rate (8.50% at December 30, 2000) plus a margin of 1%. Additionally, the Company must pay a commitment fee equal to 0.375% per annum on the unused portion of the Revolving Credit Facility. Under the Amended and Restated Credit Agreement, the Revolving Credit Facility provides for a mandatory reduction of \$2,500,000 on March 31, 2001, with the remaining balance due at maturity on June 30, 2001. As of December 30, 2000, \$109,498,000 was outstanding under the Revolving Credit Facility, and the Company had outstanding irrevocable letters of credit aggregating \$11,098,300.

Substantially all assets of the Company are either pledged or mortgaged as collateral for borrowings under the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement contains certain terms and covenants, which, among other matters, restrict the incurrence of additional indebtedness, the payment of cash dividends, the retention of certain proceeds from sales of assets, and the annual amount of capital expenditures, and requires the maintenance of certain minimum financial ratios. As of December 30, 2000, no cash dividends could be paid to the Company's stockholders pursuant to the Amended and Restated Credit Agreement.

The Company has interest rate swap agreements which are used to reduce the potential impact of increases in interest rates on floating-rate long-term debt. At December 30, 2000, the Company was party to three interest rate swap agreements. Under the terms of the swap agreements, the interest obligation on \$70 million of Amended and Restated Credit Agreement floating-rate debt was exchanged for fixed rate contracts which bear interest, payable quarterly. One swap agreement for \$25 million matures June 27, 2002, bears interest at 6.5925% and the Company's receive rate is based on the three-month LIBOR. A second swap agreement for \$25 million matures June 27, 2001, bears interest at 9.83% and the Company's receive rate is based on the Base Rate. The third swap agreement for \$20 million matures on June 27, 2002, with a one-time option for the bank to cancel at June 27, 2001, bears interest at 9.17% and the Company's receive rate is based on the Base Rate. The Company has recorded a liability of \$495,000 at December 30, 2000, for the fair value of the portion of the two swap agreements described above which extend beyond June, 2001, the expiration date of the Company's Revolving Credit Facility, because they do not qualify for hedge accounting.

On December 30, 2000, the Company had a working capital deficit of \$106.8 million and its working capital ratio was 0.30 to 1 compared to a working capital deficit of \$5.2 million and a working capital ratio of 0.88 to 1 on January 1, 2000.

ACCOUNTING MATTERS

The Company will adopt Financial Accounting Standard No. 133 on December 31, 2000 (the first day of Fiscal 2001). Statement of Financial Accounting Standard No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133), was issued by the Financial Accounting Standards Board in June, 1998. Statement 133, as amended by Statement 137, standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. Under the standard, entities are required to carry all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding it. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair values, cash flows, or foreign currencies. If the hedged exposure is a fair value exposure, the gain or loss on the derivative instrument is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness as well as the ineffective portion of the gain or loss are reported in earnings immediately. Accounting for foreign currency hedges is similar to the accounting for fair value and cash flow hedges. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Upon adoption, the provisions of Statement 133 must be applied prospectively. Adoption of Statement 133 will result in the Company recording a net transition gain of \$2,220,000 in other comprehensive income at December 31, 2000. At December 30, 2000, the Company has recorded a receivable from broker and deferred income of \$2,599,000 related to the fair value of its natural gas fixed for float swap contracts in a gain position which qualify for hedge accounting treatment and a liability of \$495,000 for the fair value of interest rate swap contracts in a loss position which do not qualify for hedge accounting treatment. Upon adoption of Statement 133, the Company will report a derivative asset of \$2,599,000 related to the natural gas swaps and a derivative liability of \$874,000 related to the interest rate swaps.

The Company expects that the adoption of Statement 133 will increase the volatility of reported earnings and other comprehensive income. In general, the amount of volatility will vary with the level of derivative activities during any period.

FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K includes "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included in the Annual Report on Form 10-K, including, without limitation, the statements under the sections entitled "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Legal Proceedings" and located elsewhere herein regarding industry prospects and the Company's financial position are forward-looking statements. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to those factors discussed elsewhere in this report, important factors that could cause actual results to differ materially from the Company's expectations include: the Company's ability to refinance its Amended and Restated Credit Agreement which expires June 30, 2001, the Company's continued ability to obtain sources of supply for its rendering operations; general economic conditions in the European and Asian markets; and prices in the competing commodity markets which are volatile and are beyond the Company's control.

Among other things, future profitability may be affected by the Company's ability to grow its business which faces competition from companies which may have substantially greater resources than the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The principal market risks affecting the Company are exposures to changes in interest rates on debt and the price of natural gas used in the Company's plants. The Company uses interest rate and natural gas swaps to manage these risks. While the Company does have international operations, and operates in international markets, it considers its market risks in such activities to be immaterial.

The Company uses interest rate swaps to hedge adverse interest rate changes on a portion of its long-term debt. At December 30, 2000, the Company was party to three interest rate swap agreements. Under the terms of the swap agreements, the interest obligation on \$70 million of Amended and Restated Credit Agreement floating-rate debt was exchanged for fixed rate contracts which bear interest, payable quarterly. One swap agreement for \$25 million matures June 27, 2002, bears interest at 6.5925% and the Company's receive rate is based on the three-month LIBOR. A second swap agreement for \$25 million matures June 27, 2001, bears interest at 9.83% and the Company's receive rate is based on the Base Rate. The third swap agreement for \$20 million matures on June 27, 2002, with a one-time option for the bank to cancel at June 27, 2001, bears interest at 9.17% and the Company's receive rate is based on the Base Rate. Assuming variable rates at the end of each fiscal year and average long-term borrowings for each fiscal year, a one-hundred basis point change in interest rate would impact net interest expense by \$0.7 million and \$0.2 million, net of the effect of swaps, for Fiscal 2000 and Fiscal 1999, respectively.

The Company is party to natural gas fixed for float swap agreements traded on the NYMEX to manage price risk of natural gas used in its facilities. Realized gains or losses from the settlement of these financial hedging instruments are recognized as an adjustment of the cost of purchased natural gas in the month of delivery. The gains and losses realized as a result of these hedging activities are substantially offset in the cash market when the hedged natural gas is delivered to the facilities.

As of December 30, 2000, the Company has fixed for float swaps in place representing 300,000 mmbtu of natural gas purchases per month for January, February and March, 2001 with a purchase price of \$4.682/mmbtu. The total fair value of these positions at December 30, 2000 was a gain of \$2,599,200 which was deferred and which will be recognized as the hedged natural gas is delivered to the facilities in January, February and March, 2001.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Pages

Independent Auditors' Report	20
Consolidated Balance Sheets-	
December 30, 2000 and January 1, 2000	21
Consolidated Statements of Operations-	
Three years ended December 30, 2000	22
Consolidated Statements of Stockholders' Equity -	
Three years ended December 30, 2000	23
Consolidated Statements of Cash Flows -	
Three years ended December 30, 2000	24
Notes to Consolidated Financial Statements -	
December 30, 2000 and January 1, 2000	25

Financial Statement Schedule:

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

INDEPENDENT AUDITORS REPORT

The Board of Directors and Shareholders
Darling International Inc.:

We have audited the consolidated financial statements of Darling International Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Darling International Inc. and subsidiaries as of December 30, 2000 and January 1, 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 30, 2000, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

The accompanying consolidated financial statements and financial statement schedule have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has debt of \$109,498,000, classified as a current liability at December 30, 2000 because it matures in June 2001. The Company has not as yet obtained new financing or extended the maturity date. These circumstances raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 2. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

Dallas, Texas
March 2, 2001

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Balance Sheets December 30, 2000 and January 1, 2000 (in thousands, except share and per share data)

ASSETS (notes 2 and 9)	December 30, 2000	January 1, 2000
-----	-----	-----
Current assets:		
Cash and cash equivalents	\$ 3,509	\$ 1,828
Accounts receivable	21,837	16,987
Inventories (note 3)	8,300	9,644
Prepaid expenses	3,046	3,948
Deferred income taxes (note 11)	3,081	4,203
Assets held for sale (note 5)	3,161	-
Other (note 1)	2,923	518
	-----	-----
Total current assets	45,857	37,128
Property, plant and equipment, net (note 4)	88,242	113,824
Collection routes and contracts, less accumulated amortization of \$18,828 at December 30, 2000 and \$15,819 at January 1, 2000	32,140	36,965
Goodwill, less accumulated amortization of \$883 at December 30, 2000 and \$741 at January 1, 2000	4,632	4,813
Other assets (note 6)	3,634	5,074
	-----	-----
	\$174,505	\$197,804
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		

Current liabilities:		
Current portion of long-term debt (note 9)	\$109,528	\$ 7,810
Accounts payable, principally trade	14,341	11,139
Accrued expenses (note 7)	23,160	23,292
Accrued interest	3,038	110
Deferred income (note 1)	2,599	-
	-----	-----
Total current liabilities	152,666	42,351
Long-term debt, less current portion (note 9)	-	110,209
Other noncurrent liabilities (note 10)	16,247	19,341
Deferred income taxes (note 11)	2,868	3,990
	-----	-----
Total liabilities	171,781	175,891
	-----	-----
Stockholders' equity (notes 9, 11 and 12):		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized, none issued	-	-
Common stock, \$.01 par value; 25,000,000 shares authorized, 15,589,077 shares issued and outstanding at December 30, 2000 and January 1, 2000	156	156
Additional paid-in capital	35,063	35,063

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Accumulated deficit	(32,495)	(13,306)
	-----	-----
Total stockholders' equity	2,724	21,913
	-----	-----
Commitments and contingencies (notes 8 and 16)	\$174,505	\$197,804
	=====	-----

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Operations Three years ended December 30, 2000 (in thousands, except share and per share data)

	December 30, 2000	January 1, 2000	January 2, 1999
	-----	-----	-----
Net sales	\$242,795	\$258,570	\$337,031
	-----	-----	-----
Costs and expenses:			
Cost of sales and operating expenses	190,283	210,879	283,822
Selling, general and administrative expenses	26,736	26,773	33,073
Depreciation and amortization	31,181	32,912	32,418
	-----	-----	-----
Total costs and expenses	248,200	270,564	349,313
	-----	-----	-----
Operating loss	(5,405)	(11,994)	(12,282)
	-----	-----	-----
Other income/(expense):			
Interest expense	(13,971)	(15,533)	(12,747)
Other, net	(184)	1,812	(1,117)
	-----	-----	-----
Total other income (expense)	(14,155)	(13,721)	(13,864)
	-----	-----	-----
Loss from continuing operations before income taxes	(19,560)	(25,715)	(26,146)
Income tax benefit (note 11)	-	(10,015)	(9,347)
	-----	-----	-----
Loss from continuing operations	(19,560)	(15,700)	(16,799)
Discontinued operations (note 15):			
Income/(loss) from discontinued operations, net of tax	-	-	(637)
Gain/(loss) on disposal of discontinued operations, net of tax	371	(333)	(14,657)
	-----	-----	-----
Net loss	\$ (19,189)	\$ (16,033)	\$ (32,093)
	=====	=====	=====
Basic earnings (loss) per share:			
Continuing operations	\$ (1.25)	\$ (1.01)	\$ (1.08)
Discontinued operations:			
Income/(loss) from operations	-	-	(0.04)

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Gain/(loss) on disposal	0.02	(0.02)	(0.94)
	-----	-----	-----
Total	\$ (1.23)	\$ (1.03)	\$ (2.06)
	=====	=====	=====
Diluted earnings (loss) per share:			
Continuing operations	\$ (1.25)	\$ (1.01)	\$ (1.08)
Discontinued operations:			
Income/(loss) from operations	-	-	(0.04)
Gain/(loss) on disposal	0.02	(0.02)	(0.94)
	-----	-----	-----
Total	\$ (1.23)	\$ (1.03)	\$ (2.06)
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity Three years ended December 30, 2000 (in thousands, except share and per share data)

	Common stock		Additional paid-in capital	Retained earnings/ (accumulated deficit)	s
	Number of shares	\$.01 par value			
Balances at January 3, 1998	15,563,037	\$ 156	\$ 34,780	\$ 34,820	
Issuance of common stock	26,040	-	98	-	
Tax benefits relating to January 1, 1994 valuation allowance	-	-	185	-	
Net loss	-	-	-	(32,093)	
	-----	-----	-----	-----	
Balances at January 2, 1999	15,589,077	156	35,063	2,727	
Net loss	-	-	-	(16,033)	
	-----	-----	-----	-----	
Balances at January 1, 2000	15,589,077	156	35,063	(13,306)	
Net loss	-	-	-	(19,189)	
	-----	-----	-----	-----	
Balances at December 30, 2000	15,589,077	\$ 156	\$ 35,063	\$ (32,495)	
	=====	=====	=====	=====	

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The accompanying notes are an integral part of these consolidated financial statements.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows Three years ended December 30, 2000 (in thousands)

	December 30, 2000	January 2000
Cash flows from operating activities:		
Loss from continuing operations	\$ (19,560)	\$ (15,700)
Adjustments to reconcile loss from continuing operations to net cash provided by continuing operating activities:		
Depreciation and amortization	31,181	32,912
Deferred income tax benefit	-	(9,911)
Loss/(gain) on sale of assets	144	(2,060)
Changes in operating assets and liabilities:		
Accounts receivable	(4,850)	(372)
Inventories and prepaid expenses	2,246	2,092
Accounts payable and accrued expenses	3,070	(4,328)
Accrued interest	2,928	(546)
Other	1,084	(1,403)
Net cash provided by continuing operations	16,243	684
Net cash provided by discontinued operations	-	119
Net cash provided by operating activities	16,243	803
Cash flows from investing activities:		
Recurring capital expenditures	(7,684)	(9,851)
Gross proceeds from sale of property, plant and equipment, assets held for disposition and other assets	4,412	32,150
Payments related to routes and other intangibles	(636)	(152)
Net cash used in discontinued operations	-	(330)
Net cash provided by/(used in) investing activities	(3,908)	21,817
Cash flows from financing activities:		
Proceeds from long-term debt	171,351	179,927
Payments on long-term debt	(179,842)	(210,237)
Contract payments	(2,163)	(2,377)
Deferred loan costs	-	(300)
Issuance of common stock	-	-
Net cash used in discontinued operations	-	(150)
Net cash used in financing activities	(10,654)	(33,137)
Net change in cash and cash equivalents from discontinued operations	-	28
Net increase/(decrease) in cash and cash equivalents	1,681	(10,489)

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Cash and cash equivalents at beginning of year	1,828	12,317
	-----	-----
Cash and cash equivalents at end of year	\$ 3,509	\$ 1,828
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest	\$ 9,161	\$ 14,550
	-----	-----
Income taxes, net of refunds	\$ (1,777)	\$ (625)
	-----	-----

The accompanying notes are an integral part of these consolidated financial statements.

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 30, 2000 and January 1, 2000

(1) GENERAL

(a) NATURE OF OPERATIONS

Darling International Inc. (the Company) believes it is the largest publicly traded recycler of food processing by-products in the United States, operating a fleet of vehicles, through which it collects animal by-products and used restaurant cooking oil from butcher shops, grocery stores, independent meat and poultry processors and restaurants nationwide. The Company processes raw materials through facilities located throughout the United States into finished products, such as tallow, meat and bone meal, and yellow grease. The Company sells its finished products domestically and internationally to producers of soap, cosmetics, rubber, pet food and livestock feed for use as ingredients in such products.

On October 22, 1993, the Company entered into a settlement agreement providing for a restructure of the Company's debt and equity and resolution of a class action lawsuit (the Settlement). On December 29, 1993, the Settlement was consummated and became binding on all original note holders. The Company has accounted for the Settlement using Fresh Start Reporting as of January 1, 1994, in accordance with Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the United States Bankruptcy Code issued by the American Institute of Certified Public Accountants. Using a valuation of the Company performed by an independent appraiser, the Company determined the total reorganization value of all its assets to be approximately \$236,294,000 as of January 1, 1994 and the Company's accumulated deficit was eliminated as of January 1, 1994.

(b) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation. As disclosed in Note 15, the operations of IPC, as defined below, are classified as discontinued

operations.

(2) Fiscal Year

The Company has a 52/53 week fiscal year ending on the Saturday nearest December 31. Fiscal years for the consolidated financial statements included herein are for the 52 weeks ended December 30, 2000, the 52 weeks ended January 1, 2000, and the 52 weeks ended January 2, 1999.

(3) Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

(4) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of assets: 1) Buildings and improvements 24 to 30 years; 2) Machinery and equipment 3 to 8 years; and 3) Vehicles 4 to 6 years.

Maintenance and repairs are charged to expense as incurred and expenditures for major renewals and improvements are capitalized.

(5) Collection Routes and Contracts

Collection routes, restrictive covenants and consulting agreements are recorded at cost and are amortized using the straight-line method over periods ranging from 3 to 15 years.

(6) Goodwill

Goodwill, which represents the excess of purchase price over fair value of net assets acquired, is amortized on a straight-line basis over the expected periods to be benefited, not exceeding 30 years. Annually, the Company assesses the recoverability of this intangible asset by determining whether the amortization of the goodwill balance over its remaining life can be recovered through undiscounted future operating cash flows of the acquired operation. The amount of goodwill impairment, if any, is measured based on projected discounted future operating cash flows using a discount rate reflecting the Company's average cost of funds. The assessment of the recoverability of goodwill will be impacted if estimated future operating cash flows are not achieved.

(7) Environmental Expenditures

Environmental expenditures incurred to mitigate or prevent environmental contamination that has yet to occur and that otherwise may result from future operations are capitalized. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future revenues are expensed or charged against established environmental reserves. Reserves are established when environmental assessments and/or clean-up requirements are probable and the costs are reasonably estimable.

(8) Income Taxes

The Company accounts for income taxes using the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences

attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(9) Earnings Per Common Share

Basic earnings per common share are computed by dividing net earnings attributable to outstanding common stock by the weighted average number of common shares outstanding during the year. Diluted earnings per common share are computed by dividing net earnings attributable to outstanding common stock by the weighted average number of common shares outstanding during the year increased by dilutive common equivalent shares (stock options) determined using the treasury stock method, based on the average market price exceeding the exercise price of the stock options.

The weighted average common shares used for basic earnings per common share was 15,589,000, 15,589,000 and 15,581,000 for 2000, 1999 and 1998, respectively. For 2000, 1999 and 1998 the effect of all outstanding stock options were excluded from diluted earnings per common share because the effect was anti-dilutive.

(10) Stock Option Plans

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS No. 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS No. 123.

(11) Statements of Cash Flows

The Company considers all short-term highly liquid instruments, with an original maturity of three months or less, to be cash equivalents.

(12) Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(13) Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of

The Company applies the provisions of SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

In Fiscal 2000 and Fiscal 1999, the Company recorded impairment charges of \$4,016,000 and \$1,387,000, respectively, to reduce the value of goodwill, routes, and certain land, buildings and equipment to estimated fair value. The impairment charges are included in depreciation and amortization expense in the accompanying Fiscal 2000 and Fiscal 1999 Consolidated Statements of Operations.

(14) Financial Instruments

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates fair value due to the short maturity of these instruments.

The carrying amount for the Company's outstanding borrowings under the Credit Agreement and Term Loan described in note 9, approximates the fair value due to the floating interest rates on the borrowings.

The fair values of the interest rate swap agreements were liabilities of \$874,400 and \$967,000 at December 30, 2000, and January 1, 2000, respectively. Current market pricing models were used to estimate fair value of interest rate swap agreements. The Company incurred additional interest expense of \$180,600 and \$913,400 in Fiscal 2000 and 1999, respectively, related to the swap agreements. See Note 9.

(15) Derivative Instruments

The Company makes limited use of derivative instruments to manage cash flow risks related to interest and natural gas expense. Interest rate swaps are entered into with the intent of managing overall borrowing costs. Natural gas fixed for float swap agreements are entered into with the intent of managing natural gas expense. The Company does not use derivative instruments for trading purposes.

For the periods presented, interest rate swaps are accounted for under the accrual method, whereby the difference between the Company's pay and receive rate is recognized as an increase or decrease to interest expense. The portion of the interest rate swap agreements extending beyond the expiration date of the Company's Amended and Restated Credit Agreement does not meet hedge accounting requirements. Accordingly, the fair value is recorded as an asset or liability. The fair value at December 30, 2000 is a liability of \$495,000. The related charge is included in other expense. See Note 9.

The natural gas fixed for float swap agreements are traded on the NYMEX. Realized gains or losses from the settlement of these financial hedging instruments are recognized as an adjustment of the cost of purchased natural gas in the month of delivery. The gains and losses realized as a result of these hedging activities are substantially offset in the cash market when the hedged natural gas is

delivered to the facilities.

As of December 30, 2000, the Company has fixed for float swaps in place representing 300,000 mmbtu of natural gas purchases per month for January, February and March, 2001 with a purchase price of \$4.682/mmbtu. The total fair value of these positions at December 30, 2000 was a gain of \$2,599,200, due from the Company's broker which was deferred and which will be recognized as the hedged natural gas is delivered to the facilities in January, February and March, 2001.

(16) Reclassifications

Certain 1999 and 1998 balances have been reclassified to conform with the presentation in 2000.

(2) LIQUIDITY AND GOING CONCERN RISK

At December 30, 2000 the Company's borrowings in the amount of \$109,498,000 under the Amended and Restated Credit Agreement were classified as a current liability, because this agreement expires on June 30, 2001. As of December 30, 2000, the Company was in compliance with all provisions of this agreement, and the Company has been in compliance with all provisions of this agreement, and has made all interest and principal payments as they have come due since the Amended and Restated Credit Agreement's inception on January 22, 1999.

The Company's management has been in discussions with the Company's lenders regarding obtaining either new financing or extending the existing Amended and Restated Credit Agreement, but no agreement has been consummated. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments related to recoverability and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. If the Company is not successful in obtaining new financing or extending the existing Amended and Restated Credit Agreement, the lenders could declare a default and attempt to realize upon the collateral securing the debt (which comprises substantially all the Company's assets). The absence of a new financing agreement or extension of the existing Amended and Restated Credit Agreement creates a material uncertainty regarding the ability of the Company to continue as a going concern. Management is not able to predict what the outcome or consequences of these matters might be.

(3) INVENTORIES

A summary of inventories follows (in thousands):

	December 30, 2000	January 1, 2000
Finished product	\$ 7,117	\$ 8,897
Supplies and other	1,183	747
	-----	-----
	\$ 8,300	\$ 9,644
	=====	=====

(4) PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment follows (in thousands):

	December 30, 2000	January 1, 2000
	-----	-----
Land	\$ 9,871	\$ 11,291
Buildings and improvements	27,272	28,003
Machinery and equipment	139,678	139,569
Vehicles	48,041	51,439
Construction in process	4,324	6,234
	-----	-----
	229,186	236,536
Accumulated depreciation	140,944	122,712
	-----	-----
	\$ 88,242	\$ 113,824
	=====	=====

(5) ASSETS HELD FOR SALE

Assets held for sale consist of the following (in thousands):

	December 30, 2000

Esteem	\$ 1,400
Peptide	862
Milwaukee, WI	527
Billings, MT	372

	\$ 3,161
	=====

(6) OTHER ASSETS

Other assets consist of the following (in thousands):

	December 30, 2000	January 1, 2000
	-----	-----
Prepaid pension cost (note 13)	\$ 2,054	\$ 2,092
Deposits and other	1,580	2,982
	-----	-----
	\$ 3,634	\$ 5,074
	=====	=====

(7) ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	December 30, 2000	January 1, 2000
Insurance	\$ 6,004	\$ 3,339
Compensation and benefits	4,093	4,480
Utilities and sewage	3,981	2,649
Reserve for environmental and litigation matters (note 16)	1,149	2,000
Other	7,933	10,824
	-----	-----
	\$ 23,160	\$ 23,292
	=====	=====

(8) LEASES

The Company leases five plants and storage locations, four office locations and a portion of its transportation equipment under operating leases. Leases are noncancellable and expire at various times through the year 2028. Minimum rental commitments under noncancellable leases as of December 30, 2000, are as follows (in thousands):

Period Ending Fiscal -----	Operating Leases -----
2001	\$ 3,484
2002	3,241
2003	2,432
2004	1,870
2005	1,257
Thereafter	8,400

Total	\$ 20,684
	=====

Rent expense for the years ended December 30, 2000, January 1, 2000, and January 2, 1999 was \$3,026,487, \$2,429,404, and \$1,695,867, respectively.

(9) DEBT

Debt consists of the following (in thousands):

	December 30, 2000	January 1, 2000
Credit Agreement:		
Revolving Credit Facility	\$109,498	\$ 110,179
Term Loan	-	7,720
Other notes	30	120
	-----	-----
	109,528	118,019
Less current maturities	109,528	7,810
	-----	-----
	\$ -	\$ 110,209
	=====	=====

See the discussion regarding Liquidity and Going Concern Risk in note 2. At June 30, 2000, the Company's borrowings under the Amended and Restated Credit Agreement were classified as a current liability because the Company's Amended and Restated Credit Agreement expires on June 30, 2001.

CREDIT AGREEMENT

Effective June 5, 1997, the Company entered into a Credit Agreement (the "Credit Agreement") which originally provided for borrowings in the form of a \$50,000,000 Term Loan and \$175,000,000 Revolving Credit Facility. On October 3, 1998, the Company entered into an amendment of the Credit Agreement whereby BankBoston, N.A., as agent, and the other participant banks in the Credit Agreement (the "Banks") agreed to forbear from exercising rights and remedies arising as a result of several existing events of default of certain financial covenants (the "Defaults") under the Credit Agreement, as amended, until November 9, 1998.

On November 6, 1998, the Company entered into an extension of the amended Credit Agreement whereby the Banks agreed to forbear from exercising rights and remedies arising as a result of the Defaults until December 14, 1998. The forbearance period was subsequently extended to January 22, 1999. On January 22, 1999, the Company and the banks entered into an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement").

The Amended and Restated Credit Agreement provides for borrowing in the form of a \$36,702,000 Term Loan and \$135,000,000 Revolving Credit Facility. At December 30, 2000, the Term Loan had been paid in full.

The Revolving Credit Facility provides for borrowings up to a maximum of \$135,000,000 with sublimits available for letters of credit and a swingline. Under the Amended and Restated Credit Agreement, the Revolving Credit Facility bears interest, payable quarterly, at a Base Rate (8.50% at December 30, 2000) plus a margin of 1%. Additionally, the Company must pay a commitment fee equal to 0.375% per annum on the unused portion of the Revolving Credit Facility. Under the Amended and Restated Credit Agreement, the Revolving Credit Facility provides for a mandatory reduction of \$2,500,000 on March 31, 2001, with the remaining balance due at maturity on June 30, 2001. As of December 30, 2000, \$109,498,000 was outstanding under the Revolving Credit Facility and the Company had outstanding irrevocable letters of credit aggregating \$11,098,300.

Substantially all assets of the Company are either pledged or mortgaged as collateral for borrowings under the Amended and Restated Credit Agreement. The Amended and Restated Credit Agreement contains certain terms and covenants, which, among other matters, restrict the incurrence of additional indebtedness, the payment of cash dividends, the retention of certain proceeds from sales of assets, and the annual amount of capital expenditures, and requires the maintenance of certain minimum financial ratios. As of December 30, 2000, no cash dividends could be paid to the Company's stockholders pursuant to the Amended and Restated Credit Agreement.

INTEREST RATE SWAP AGREEMENTS

The Company uses interest rate swap agreements which are intended to reduce the potential impact of increases in interest rates on floating-rate long-term debt. At December 30, 2000, the Company was party to three interest rate swap agreements. Under the terms of the swap agreements, the interest obligation on \$70 million of Amended and Restated Credit Agreement floating-rate debt was exchanged for fixed rate contracts which bear interest, payable quarterly. One swap agreement for \$25 million matures June 27, 2002, bears interest at 6.5925% and the Company's receive rate is based on the three-month LIBOR. A second swap agreement for \$25 million matures June 27, 2001, bears interest at 9.83% and the Company's receive rate is based on the Base Rate. The third swap agreement for \$20 million matures on June 27, 2002, with a one-time option for the bank to cancel at June 27, 2001, bears interest at 9.17% and the Company's receive rate is based on the Base Rate. The

Company has recorded a liability of \$495,000 at December 30, 2000, for the fair value of the portion of the two swap agreements described above which extend beyond June, 2001, the expiration date of the Company's Revolving Credit Facility, because they do not qualify for hedge accounting.

(10) OTHER NONCURRENT LIABILITIES

Other noncurrent liabilities consist of the following (in thousands):

	December 30, 2000	January 2, 1999
Reserve for insurance, environmental, litigation and tax matters (note 16)	\$13,214	\$14,214
Liabilities associated with consulting and noncompete agreements	2,868	4,214
Other	165	165
	-----	-----
	\$16,247	\$19,593
	=====	=====

The Company sponsors a defined benefit health care plan that provides postretirement medical and life insurance benefits to certain employees. The Company accounts for this plan in accordance with Statement of Financial Accounting Standards No. 106 and the effect on the Company's financial position and results of operations is immaterial.

(11) INCOME TAXES

Income tax expense (benefit) attributable to income (loss) from continuing operations before income taxes consists of the following (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
	-----	-----	-----
Current:			
Federal	\$ -	\$ -	\$ (34)
State	-	-	-
Foreign	-	-	-
Deferred:			
Federal	-	(9,183)	(8,432)
State	-	(796)	(784)
Foreign	-	(36)	(97)
	-----	-----	-----
	\$ -	\$ (10,015)	\$ (9,347)
	=====	=====	=====

Income tax benefit for the years ended December 30, 2000, January 1, 2000, and January 2, 1999, differed from the amount computed by applying the statutory U.S. federal income tax rate (35%) to loss from continuing operations before income taxes as a result of the following (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
	-----	-----	-----
Computed "expected" tax expense	\$ (6,846)	\$ (9,000)	\$ (9,000)
State income taxes, net of federal benefit	-	(517)	(517)
Tax-exempt income of foreign sales corporation	-	-	-
Change in valuation allowance	7,554	(311)	(311)
Other, net	(708)	(187)	(187)
	-----	-----	-----

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\$ - \$ (10,015)
=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 30, 2000 and January 1, 2000 are presented below (in thousands):

	December 30, 2000	January 1, 2000

Deferred tax assets:		
Net operating loss carryforwards	\$ 35,668	\$ 31,516
Capital loss carryforwards	-	760
Loss contingency reserves	5,457	5,722
Other	1,314	2,785
	-----	-----
Total gross deferred tax assets	42,439	40,783
Less valuation allowance	(21,705)	(14,151)
	-----	-----
Net deferred tax assets	20,734	26,632
	=====	=====
Deferred tax liabilities:		
Collection routes and contracts	(6,926)	(7,955)
Property, plant and equipment	(13,023)	(17,635)
Other	(572)	(829)
	-----	-----
Total gross deferred tax liabilities	(20,521)	(26,419)
	-----	-----
	\$ 213	\$ 213
	=====	=====

The portion of the deferred tax assets and liabilities expected to be recognized in Fiscal 2000 has been recorded at December 30, 2000, in the accompanying consolidated balance sheet as a net current deferred income tax asset of \$3,081,000. The remaining non-current deferred tax assets and liabilities have been recorded as a net deferred income tax liability of \$2,868,000 at December 30, 2000 in the accompanying consolidated balance sheet.

The valuation allowance for deferred tax assets as of December 30, 2000 and January 1, 2000 was \$21,705,000 and \$14,151,000, respectively. The net changes in the total valuation allowance was an increase of \$7,554,000 for the year ended December 30, 2000 and a decrease of \$311,000 for the year ended January 1, 2000. The Company believes that the remaining net deferred tax assets at December 30, 2000 will be realized primarily through future reversals of existing taxable temporary differences.

At December 30, 2000, the Company had net operating loss carryforwards for federal income tax purposes of approximately \$93,862,000 which are available to offset future federal taxable income through 2019. The availability of the net operating loss carryforwards to reduce future taxable income is subject to various limitations. As a result of the change in ownership, the Company believes utilization of its pre-1994 net operating loss carryforwards (\$72,280,000) is limited to \$3,400,000 per year for the remaining life of the net operating losses.

The Company reports tax benefits utilized related to the January 1, 1994 valuation allowance (\$185,000 in 1998) as a direct addition to additional paid-in capital.

(12) STOCKHOLDERS' EQUITY

At December 29, 1993, the Company granted options to purchase 384,615 shares of the Company's common stock to the former owners of the Redeemable Preferred Stock. The options have a term of ten years from the date of grant and may be exercised at a price of \$3.45 per share (approximated market value at the date of grant).

The 1993 Flexible Stock Option Plan and the 1994 Employee Flexible Stock Option Plan provide for the granting of stock options to key officers and salaried employees of the Company and its subsidiaries. Options to purchase common stock were granted at a price approximating fair market value at the date of grant. Options granted under the plans expire ten years from the date of grant. Vesting occurs on each anniversary of the grant date as defined in the specific option agreement. The plans also provide for the acceleration by one year of vesting of all non-vested shares upon the termination of the employee's employment in certain circumstances or upon a change in management control.

The Non-Employee Directors Stock Option Plan provides for the granting of options to non-employee directors of the Company. As of December 30, 2000, options to purchase 447,000 shares of common stock had been granted pursuant to this plan. The options have a term of ten years from the date of grant and may be exercised at a price of \$1.75 - \$9.042 per share (market value at the date of grant). The options vest 25% six months after the grant date and 25% on each anniversary date thereafter.

The per share weighted average fair value of stock options granted during 2000, 1999 and 1998 was \$1.65, \$5.57 and \$7.34, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted assumptions:

	2000	1999	1998
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	5.28%	6.38%	5.25%
Expected life	10 years	10 years	10 years
Expected annual volatility	42.31-98.64%	62.41 - 66.59%	59.95-64.12%

The Company applies APB Opinion No. 25 in accounting for its Plans and, accordingly, no compensation cost has been recognized for its stock options in the financial statements as stock options were granted at market value on the grant date. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's earnings (loss) from continuing operations would have been reduced to the pro forma amounts indicated below (in thousands, except per share):

		2000	1999	1998
Net loss	As reported	\$ (19,189)	\$ (16,033)	\$ (32,093)
	Pro forma	\$ (20,415)	\$ (16,534)	\$ (33,821)
Basic loss per common share	As reported	\$ (1.23)	\$ (1.03)	\$ (2.06)
	Pro forma	\$ (1.31)	\$ (1.06)	\$ (2.17)

A summary of transactions for all stock options granted follows:

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	Number of shares	Option exercise price per share	Weight exercis per
Options outstanding at January 3, 1998	3,050,992	\$2.86-10.88	\$6.
Granted	96,900	3.44-8.69	7.
Canceled	(43,530)	4.13-10.29	8.
Exercised	(26,040)	3.45-4.13	3.
Options outstanding at January 2, 1999	3,078,322	2.86-10.88	6.
Granted	111,000	1.75-2.63	2.
Canceled	(952,687)	2.63-10.29	6.
Options outstanding at January 1, 2000	2,236,635	1.75-10.88	5.
Granted	1,129,050	0.50-1.75	1.
Canceled	(1,031,305)	2.625-10.875	7.
Options outstanding at December 30, 2000	2,334,380	\$0.50-9.50	\$2.
Options exercisable at December 30, 2000	2,253,590	\$0.50-9.50	\$2.

At December 30, 2000, the range of exercise prices and weighted-average remaining contractual life of outstanding options was \$0.50 - \$9.50 and 7.2 years, respectively.

December 30, 2000 and January 1, 2000, the number of options exercisable was 2,253,590 and 1,928,958, respectively, and the weighted-average exercise price of those options was \$2.43 and \$5.50, respectively.

(13) EMPLOYEE BENEFIT PLANS

The Company has retirement and pension plans covering substantially all of its employees. Most retirement benefits are provided by the Company under separate final-pay noncontributory pension plans for all salaried and hourly employees (excluding those covered by union-sponsored plans) who meet service and age requirements. Benefits are based principally on length of service and earnings patterns during the five years preceding retirement.

The Company's funding policy for those plans is to contribute annually not less than the minimum amount required nor more than the maximum amount that can be deducted for federal income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

The following table sets forth the plans' funded status and amounts recognized in the Company's consolidated balance sheets based on the measurement date (October 1, 2000 and 1999) (in thousands):

	December 30, 2000	January 1, 2000
Change in benefit obligation:		
Benefit obligation at beginning of year	\$45,991	\$47,106

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Service cost	1,478	1,781
Interest cost	3,363	3,110
Amendments		264
Actuarial (gain)/loss	(2,973)	(4,123)
Benefits paid	(2,455)	(2,148)
	-----	-----
Benefit obligation at end of year	45,404	45,990
	-----	-----
Change in plan assets:		
Fair value of plan assets at beginning of year	46,683	42,874
Actual return on plan assets	4,052	5,566
Employer contribution	601	391
Benefits paid	(2,455)	(2,148)
	-----	-----
Fair value of plan assets at end of year	48,881	46,683
	-----	-----
Funded status	3,477	693
Unrecognized actuarial (gain)/loss	(2,148)	575
Unrecognized prior service cost	725	824
	-----	-----
Prepaid benefit cost	\$ 2,054	\$ 2,092
	=====	=====

Net pension cost includes the following components (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
	-----	-----	-----
Service cost	\$1,478	\$1,781	\$1,360
Interest cost	3,363	3,110	2,835
Expected return on plan assets	(4,217)	(3,894)	(3,870)
Net amortization and deferral	98	73	70
	-----	-----	-----
Net pension cost	\$ 722	\$1,070	\$ 395
	=====	=====	=====

Assumptions used in accounting for the employee benefit pension plans were:

	December 30, 2000	January 1, 2000	January 2, 1999
	-----	-----	-----
Weighted average discount rate	7.75%	7.50%	6.75%
Rate of increase in future compensation levels	5.08%	5.17%	5.80%
Expected long-term rate of return on assets	9.25%	9.25%	9.25%

The Company participates in several multi-employer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts. Information with respect to the Company's proportionate share of the excess, if any, of the actuarially computed value of vested benefits over these pension plans' net assets is not available. The cost of such plans amounted to \$1,384,009, \$1,306,433, and \$1,306,367 for the years ended December 30, 2000, January 1, 2000, and January 2, 1999, respectively.

(14) CONCENTRATION OF CREDIT RISK

Concentration of credit risk is limited due to the Company's diversified customer base and the fact that the Company sells commodities. No single customer accounted for more than 10% of the Company's net sales in 2000, 1999 and 1998.

(15) DISCONTINUED OPERATIONS

In 1998, the Company made a decision to discontinue the operations of the Bakery By-Products Recycling segment in order to concentrate its financial and human resources on its other businesses. The Bakery By-Products Recycling segment was comprised of International Processing Corporation, International Transportation Services, Inc., and Food By-Products Recycling (collectively referred to as IPC). On February 10, 1999, the Company announced the execution of a Stock Purchase Agreement dated February 9, 1999, with Scope Products, Inc., a wholly-owned subsidiary of Scope Industries, pursuant to which the Company agreed to sell all the issued and outstanding stock of IPC for a net consideration of \$19,600,000. The sale was consummated on April 5, 1999.

The disposal of IPC has been accounted for as a discontinued operation and, accordingly, its net assets have been segregated from continuing operations in the accompanying consolidated financial statements for the periods presented.

The condensed statement of operations relating to discontinued operations for the year ended January 2, 1999 (through the measurement date of November 3, 1998), follows (in thousands):

	January 2, 1999

Net sales	\$37,456
Cost and expenses	38,484
Income (loss) before income taxes	(1,028)
Provision for income taxes	(391)

Net earnings (loss)	\$ (637)
	=====

Included in the loss on disposition of discontinued operations is a net tax benefit of \$2.2 million. In addition, no interest expense has been allocated to discontinued operations.

(16) CONTINGENCIES

LITIGATION

Melvindale

A group of residents living near the Company's Melvindale, Michigan plant has filed suit, purportedly on behalf of a class of persons similarly situated. The class has been certified for injunctive relief only. The court declined to certify a damage class but has permitted approximately 300 people to join the lawsuit as plaintiffs. The suit is based on legal theories of trespass, nuisance and negligence and/or gross negligence, and is pending in the United States District Court, Eastern District of Michigan. Plaintiffs allege that emissions to the air, particularly odor, from the plant have reduced the value and enjoyment of Plaintiffs' property, and Plaintiffs seek damages, including mental anguish, exemplary damages and injunctive relief. In a lawsuit with similar factual allegations, also pending in United States District Court, Eastern District of Michigan, the City of Melvindale has filed suit against the Company based on legal theories of nuisance, trespass, negligence and violation of Melvindale nuisance ordinances seeking damages and declaratory and injunctive relief. The court has dismissed the trespass counts in both lawsuits. The Company or its predecessors have operated a rendering plant at the Melvindale location since 1927 in a heavily industrialized area down river south of Detroit. The Company has taken and is taking all reasonable steps to minimize odor emissions from its recycling processes and is defending the lawsuit vigorously.

Other Litigation

The Company is also a party to several other lawsuits, claims and loss contingencies incidental to its business, including assertions by certain regulatory agencies related to environmental matters.

Self Insured Risks

The Company purchases its workers compensation, auto and general liability insurance on a retrospective basis. The Company accrues its expected ultimate costs related to claims occurring during each fiscal year and carries this accrual as a reserve until such claims are paid by the Company.

The Company has established loss reserves for insurance, environmental and litigation matters as a result of the matters discussed above. Although the ultimate liability cannot be determined with certainty, management of the Company believes that reserves for contingencies are reasonable and sufficient based upon present governmental regulations and information currently available to management. The Company estimates possible losses related to environmental and litigation matters, based on certain assumptions, is approximately \$1.1 million at December 30, 2000. The accrued expenses and other noncurrent liabilities classifications in the Company's consolidated balance sheets include reserves for insurance, environmental and litigation contingencies of \$14.7 million and \$17.1 million at December 30, 2000 and January 1, 2000, respectively. There can be no assurance, however, that final costs related to these matters will not exceed current estimates. The Company believes that any additional liability relative to such lawsuits and claims which may not be covered by insurance would not likely have a material adverse effect on the Company's financial position, although it could potentially have a material impact on the results of operations in any one year.

(17) BUSINESS SEGMENTS

The Company operates on a worldwide basis within two industry segments: Rendering and Restaurant Services. Due to unfavorable market conditions, the Esteem Products division, formerly reported as a separate segment, was combined with the Company's Rendering operations in Fiscal 2000 for internal management reporting. Accordingly, the segment information for 1999 and 1998 has been recast to conform to the Company's current operating segments. The measure of segment profit (loss) includes all revenues, operating expenses (excluding certain amortization of intangibles), and selling, general and administrative expenses incurred at all operating locations and excludes general corporate expenses.

Rendering

Rendering consists of the collection and processing of animal by-products from butcher shops, grocery stores and independent meat and poultry processors, converting these wastes into similar products such as useable oils and proteins utilized by the agricultural and oleochemical industries.

Restaurant Services

Restaurant Services consists of the collection of used cooking oils from restaurants and recycling them into similar products such as high-energy animal feed ingredients and industrial oils.

Restaurant Services also provides grease trap servicing.

Included in corporate activities are general corporate expenses and the amortization of intangibles related to Fresh Start Reporting. Assets of corporate activities include cash, unallocated prepaid expenses, deferred tax assets, prepaid pension, and miscellaneous other assets.

Business Segment Net Revenues (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
Rendering:			
Trade	\$186,445	\$204,631	\$275,580
Intersegment	26,011	27,970	29,316
	-----	-----	-----
	212,456	232,601	304,896
	-----	-----	-----
Restaurant Services:			
Trade	56,350	53,939	61,451
Intersegment	7,781	7,204	7,521
	-----	-----	-----
	64,131	61,143	68,972
	-----	-----	-----
Eliminations	(33,792)	(35,174)	(36,837)
	-----	-----	-----
Total	\$242,795	\$258,570	\$337,031
	=====	=====	=====

Business Segment Profit (Loss) (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
Rendering	\$ 8,170	\$ 3,249	\$ 2,439
Restaurant Services	3,487	922	773
Corporate Activities	(17,246)	(15,882)	(16,892)
Interest expense	(13,971)	(14,004)	(12,466)
	-----	-----	-----
Loss from continuing operations before income taxes	\$ (19,560)	\$ (25,715)	\$ (26,146)
	=====	=====	=====

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Certain assets are not attributable to a single operating segment but instead relate to multiple operating segments operating out of individual locations. These assets are utilized by both the Rendering and Restaurant Services business segments and are identified in the category Combined Rend./Rest. Svcs. Depreciation of Combined Rend./Rest. Svcs. assets is allocated based upon an estimate of the percentage of corresponding activity attributed to each segment. Additionally, although intangible assets are allocated to operating segments, the amortization related to the adoption of Fresh Start Reporting is not considered in the measure of operating segment profit (loss) and is included in Corporate Activities.

Business Segment Assets (in thousands):

	December 30, 2000	January 1, 2000
Rendering	\$ 64,199	\$ 79,376
Restaurant Services	17,290	24,753
Combined Rend./Rest. Svcs.	72,722	77,956
Corporate Activities	20,294	15,719
Total	\$174,505	\$197,804

Business Segment Property, Plant and Equipment (in thousands):

	December 30, 2000	January 1, 2000
Depreciation and amortization:		
Rendering	\$21,531	\$22,277
Restaurant Services	6,323	7,449
Corporate Activities	3,327	3,186
Total	\$31,181	\$32,912
Additions:		
Rendering	\$ 2,168	\$ 3,741
Restaurant Services	2,897	4,279
Combined Rend./Rest. Svcs.	2,159	1,661
Corporate Activities	460	170
Total	\$ 7,684	\$ 9,851

The Company has no material foreign operations, but exports a portion of its products to customers in various foreign countries.

Geographic Area Net Trade Revenues (in thousands):

	December 30, 2000	January 1, 2000	January 2, 1999
United States	\$114,102	\$151,165	\$208,255
Korea	6,041	13,029	5,897
Spain	963	1,798	8,237
Mexico	25,090	19,320	9,094
Japan	1,916	2,162	5,037
N. Europe	707	2,095	694

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Pacific Rim	889	9,008	6,592
Taiwan	1,775	2,415	3,342
Canada	864	580	1,659
Latin/South America	13,408	13,413	10,772
Other/Brokered	77,040	43,585	77,452
	-----	-----	-----
Total	\$242,795	\$258,570	\$337,031
	=====	=====	=====

Other/Brokered trade revenues represent product for which the ultimate destination is not monitored.

(18) QUARTERLY FINANCIAL DATA

(UNAUDITED AND IN THOUSANDS EXCEPT PER SHARE AMOUNTS):

	Year Ended December 30, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$62,818	\$61,557	\$57,629	\$57,629
Operating income (loss)	194	(1,200)	(1,550)	(1,550)
Loss from continuing operations	(3,026)	(4,766)	(5,169)	(5,169)
Discontinued operations -				
Gain on disposal	-	121	-	-
Net earnings (loss)	(3,026)	(4,645)	(5,169)	(5,169)
Basic earnings (loss) per share	(0.19)	(0.30)	(0.33)	(0.33)
Diluted earnings (loss) per share	(0.19)	(0.30)	(0.33)	(0.33)

	Year Ended January 1, 2000			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Net sales	\$69,846	\$58,182	\$63,381	\$63,381
Operating loss	(2,625)	(2,818)	(3,318)	(3,318)
Loss from continuing operations	(4,191)	(4,457)	(5,196)	(5,196)
Discontinued operations -				
Loss on disposal	(317)	(16)	-	-
Net earnings (loss)	(4,508)	(4,473)	(5,196)	(5,196)
Basic earnings (loss) per share	(0.29)	(0.29)	(0.33)	(0.33)
Diluted earnings (loss) per share	(0.29)	(0.29)	(0.33)	(0.33)

DARLING INTERNATIONAL INC. AND SUBSIDIARIES

SCHEDULE II

Valuation and Qualifying Accounts
(In thousands)

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Description	Balance at Beginning of Period	Additions Charged to:		
		Costs and Expenses	Other	Deductions

Accumulated amortization of collection routes and contracts:				
Year ended December 30, 2000	\$15,819 =====	\$5,498 =====	\$ - =====	\$2,489 =====
Year ended January 1, 2000	\$12,101 =====	\$5,686 =====	\$ 4 =====	\$1,972 =====
Year ended January 2, 1999	\$ 7,668 =====	\$5,759 =====	\$ - =====	\$1,326 =====
Accumulated amortization of goodwill:				
Year ended December 30, 2000	\$ 741 =====	\$ 142 =====	\$ - =====	\$ - =====
Year ended January 1, 2000	\$ 513 =====	\$ 228 =====	\$ - =====	\$ - =====
Year ended January 2, 1999	\$ 286 =====	\$ 227 =====	\$ - =====	\$ - =====

Note: Deductions consist of the write-off of fully amortized collection routes and contracts.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to items 401 and 405 of Regulation S-K appears in the sections entitled "Election of Directors," "Executive Officers" and "Compliance with Section 16(a) of the Exchange Act" included in the Registrant's definitive Proxy Statement to be filed on or before April 30, 2001, relating to the 2001 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item appears in the section entitled "Executive Compensation" included in the Registrant's definitive Proxy Statement to be filed on or before April 30, 2001, relating to the 2001 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item appears in the section entitled "Security Ownership of Certain Beneficial Owners and Management" included in the Registrant's definitive Proxy Statement to be filed on or before April 30, 2001, relating to the 2001 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Taura has served as Chairman of the Board and Chief Executive Officer of the Company since August 1999. Mr. Taura is a partner in the management consulting firm Taura Flynn and Associates, LLC. Prior to Mr. Taura becoming an employee of the Company, he served as Chairman of the Board and Chief Executive Officer of the Company pursuant to an agreement between Taura, Flynn and Associates and the Company. Pursuant to such agreement, the Company paid Taura, Flynn and Associates \$130,000 during Fiscal 2000.

Fredric J. Klink, a director of the Company, is a partner in the law firm of Dechert. The Company pays Dechert fees for the performance of various legal services.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of this report:

(1) The following consolidated financial statements are included in Item 8.

	Page

Independent Auditors' Report	20
Consolidated Balance Sheets-	
December 30, 2000 and January 1, 2000	21
Consolidated Statements of Operations-	
Three years ended December 30, 2000	22
Consolidated Statements of Stockholders' Equity -	
Three years ended December 30, 2000	23
Consolidated Statements of Cash Flows -	
Three years ended December 30, 2000	24
Notes to Consolidated Financial Statements -	
December 30, 2000 and January 1, 2000	25
Quarterly Data	41

(2) The following financial statement schedule is included in Item 8.

Schedule II - Valuation and Qualifying Accounts	42
Three years ended December 30, 2000	

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All other schedules are omitted since the required information is not present or is insufficient to require submission of the schedule, or because the information is included in the consolidated financial statements and notes thereto.

(3) (a) Exhibits

Exhibit No. -----	Description -----
3.1 *	Restated Certificate of Incorporation of the Company.
3.2 *	Amended and Restated Bylaws of the Company.
4.1 *	Specimen Common Stock Certificate.
10.1 **	Amended and Restated Credit Agreement, dated as of January 22, 1999, among the Company, BankBoston, N.A., Comerica Bank, Credit Lyonnais New York Branch, and Wells Fargo Bank, N.A. as Co-agents, and other banks as named therein.
10.2*	Registration Rights Agreement, as amended.
10.3*	Form of Indemnification Agreement.
10.4*	Lease, dated November 30, 1993, between the Company and the Port of Tacoma.
10.5 P	Leases, dated July 1, 1996, between the Company and the City and County of Tacoma.
10.6 *	1993 Flexible Stock Option Plan.
10.7 ***	International Swap Dealers Association, Inc. (ISDA) Master Agreement and Schedule between Credit Lyonnais and Darling International Inc. dated as of June 6, 1997, related to interest rate swap transaction.
10.7(a)***	International Swap Dealers Association, Inc. (ISDA) Master Agreement and Schedule between Fargo Bank, N.A. and Darling International Inc. dated as of June 6, 1997, related to swap transaction.
10.7(b)***	International Swap Dealers Association, Inc. (ISDA) Master Agreement and Schedule between BankBoston, N.A. and Darling International Inc. dated as of June 26, 1997, related to interest rate swap transaction.
10.8 *	Form of Executive Severance Agreement.
10.9 *	1994 Employee Flexible Stock Option Plan.
10.10*	Non-Employee Directors Stock Option Plan.
10.17	Termination on September 20, 1999, of International Swap Dealers Association Master Agreement and Schedule between BankBoston, N.A. and Darling International Inc. dated as of June 6, 1997, related to interest rate swap transaction and a new interest rate swap transaction dated September 27, 1999.
10.17(a)	Confirmation dated September 20, 1999 which supplements, forms part of, and is incorporated by reference into the ISDA Master Agreement dated as of June 6, 1997 between Credit Lyonnais and Darling International Inc.
10.18	Master Lease Agreement between Navistar Leasing Company and Darling International Inc. dated April 4, 1999.

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21 Subsidiaries of the Registrant.

23 Consent of KPMG LLP.

27 Financial Data Schedule

* Incorporated by reference from the Registrant's Registration Statement on Form S-1 filed July 15, 1994 (Registration No. 33-79478).

** Incorporated by reference to Form 8-K filed January 29, 1999.

*** Incorporated by reference to Form 10-Q filed August 7, 1997.

P Filed pursuant to temporary hardship exemption under cover of Form SE.

(b) Reports on Form 8-K:

No reports were filed on Form 8-K during the quarter ended December 30, 2000.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Form 10-K for the Fiscal Year Ended December 30, 2000 on its behalf by the undersigned, thereunto duly authorized, in the city of Irving, State of Texas, on the 30th day of March, 2001.

DARLING INTERNATIONAL INC.

By: /s/ Denis J. Taura

Denis J. Taura
Chairman of the Board
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, the report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature -----	Title -----
/s/ Denis J. Taura ----- Denis J. Taura	Chairman of the Board and Chief Executive Officer
/s/ James A. Ransweiler ----- James A. Ransweiler	President and Chief Operating Officer (Principal Executive Officer)
/s/ John O. Muse -----	Executive Vice President - Finance and Administration

SIGNATURES

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John O. Muse

(Principal Financial and Accounting Officer)

/s/ Bruce Waterfall Director

Bruce Waterfall

/s/ Fredric J. Klink Director

Fredric J. Klink

/s/ Dennis B. Longmire Director

Dennis B. Longmire

/s/ Joe Colonnetta Director

Joe Colonnetta

INDEX TO EXHIBITS

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- 10.17 Termination on September 20, 1999, of International Swap Dealers Association, Agreement and Schedule between BankBoston, N.A. and Darling International Inc. to interest rate swap transaction and a new interest rate swap transaction is
- 10.17(a) Confirmation dated September 20, 1999 which supplements, forms part of, and is between Credit Lyonnais and Darling International Inc.
- 10.18 Master Lease Agreement between Navistar Leasing Company and Darling International of August 4, 1999.
- 23 Consent of KPMG LLP.
- 27 Financial Data Schedule
- * Incorporated by reference from the Registrant's Registration Statement on Form S-3 filed July 15, 1994 (Registration No. 33-79478).
- ** Incorporated by reference to Form 8-K filed January 29, 1999.
- *** Incorporated by reference to Form 10-Q filed August 7, 1997.
- P Filed pursuant to temporary hardship exemption under cover of Form SE.

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Darling International Inc.:

We consent to incorporation by reference in the registration statements on Form S-3 (No. 33-79478) and Form S-8 (Nos. 33-99868 and 33-99866) of Darling International Inc. of our report dated March 2, 2001, relating to the consolidated balance sheets of Darling International Inc. and subsidiaries as of December 30, 2000 and January 1, 2000, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 30, 2000, and the related schedule, which report appears in the December 30, 2000 annual report on Form 10-K of Darling International Inc.

Our report dated March 2, 2001, contains an explanatory paragraph that states that the Company has debt of \$109,498,000 classified as a current liability at December 30, 2000 because it matures in

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June, 2001, for which the Company has not yet obtained new financing or extended the maturity date which raises substantial doubt about the ability of the Company to continue as a going concern. The consolidated financial statements and financial statement schedule do not include any adjustments that might result from the outcome of this uncertainty.

KPMG LLP

Dallas, Texas
March 30, 2001
