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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 30, 2010

OR

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

Commission File Number: 000-21531

UNITED NATURAL FOODS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	**05-0376157** (I.R.S. Employer Identification No.)
313 Iron Horse Way, Providence, RI (Address of Principal Executive Offices)	**02908** (Zip Code)

Registrant s Telephone Number, Including Area Code: **(401) 528-8634**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of November 29, 2010 there were 48,191,041 shares of the Registrant s Common Stock, $0.01 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(In thousands, except per share amounts)

	October 30, 2010	July 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,706	$ 13,802
Accounts receivable, net of allowance of $5,902 and $6,253, respectively	253,305	217,097
Notes receivable, trade, net of allowance of $75 and $135, respectively	3,451	3,111
Inventories	536,671	439,702
Prepaid expenses and other current assets	18,398	21,793
Deferred income taxes	20,560	20,560
Total current assets	843,091	716,065
Property & equipment, net	280,926	279,255
Other assets:		
Goodwill	188,810	186,925
Intangible assets, net of accumulated amortization of $6,454 and $5,569, respectively	61,264	50,201
Notes receivable, trade, net of allowance of $1,193 and $1,304, respectively	1,196	235
Other assets	18,375	18,118
Total assets	$ 1,393,662	$ 1,250,799
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Notes payable	$ 146,145	$ 242,570
Accounts payable	261,276	192,331
Accrued expenses and other current liabilities	93,989	81,941
Current portion of long-term debt	5,036	5,033
Total current liabilities	506,446	521,875
Long-term debt, excluding current portion	47,173	48,433
Deferred income taxes	20,891	20,598
Other long-term liabilities	29,357	29,446
Total liabilities	603,867	620,352
Commitments and contingencies		
Stockholders equity:		
Preferred stock, $0.01 par value, authorized 5,000 shares; none issued or outstanding		
	482	435

Common stock, $0.01 par value, authorized 100,000 shares; 48,202 issued and 48,175 outstanding shares at October 30, 2010; 43,558 issued and 43,531 outstanding shares at July 31, 2010				
Additional paid-in capital		329,887		188,727
Treasury stock		(708)		(708)
Unallocated shares of Employee Stock Ownership Plan		(673)		(713)
Accumulated other comprehensive loss		(458)		(1,155)
Retained earnings		461,265		443,861
Total stockholders equity		789,795		630,447
Total liabilities and stockholders equity	$	1,393,662	$	1,250,799

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

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UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(In thousands, except per share data amounts)

	Three months ended October 30, 2010	Three months ended October 31, 2009
Net sales	$ 1,052,967	$ 884,768
Cost of sales	860,635	720,167
Gross profit	192,332	164,601
Operating expenses	162,676	137,409
Total operating expenses	162,676	137,409
Operating income	29,656	27,192
Other expense (income):		
Interest expense	1,386	1,381
Interest income	(208)	(69)
Other, net	(53)	(8)
Total other expense	1,125	1,304
Income before income taxes	28,531	25,888
Provision for income taxes	11,127	10,355
Net income	$ 17,404	$ 15,533
Basic per share data:		
Net income	$ 0.39	$ 0.36
Weighted average of basic shares of common stock outstanding	44,771	42,982
Diluted per share data:		
Net income	$ 0.39	$ 0.36
Weighted average of diluted shares of common stock outstanding	45,101	43,211

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

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UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)

(In thousands)

	Common Stock		Treasury Stock				Accumulated		
(In thousands)	**Shares**	**Amount**	**Shares**	**Amount**	**Additional Paid in Capital**	**Unallocated Shares of ESOP**	**Other Comprehensive (Loss) Income**	**Retained Earnings**	**Total Stockholders Equity**
Balances at July 31, 2010	43,558	$ 435	27	$ (708)	$ 188,727	$ (713)	$ (1,155)	$ 443,861	$ 630,447
Allocation of shares to ESOP						40			40
Issuance of common stock pursuant to secondary offering, net of direct offering costs	4,428	44			138,261				138,305
Stock option exercises and restricted stock vestings, net	216	3			(59)				(56)
Share-based compensation					2,657				2,657
Tax benefit associated with stock plans					301				301
Fair value of swap agreements, net of tax							134		134
Foreign currency translation							563		563
Net income								17,404	17,404
Total comprehensive income									18,101
Balances at October 30, 2010	48,202	$ 482	27	$ (708)	$ 329,887	$ (673)	$ (458)	$ 461,265	$ 789,795

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

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UNITED NATURAL FOODS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(In thousands)

	Three months ended	
	October 30, 2010	October 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 17,404	$ 15,533
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	8,355	6,650
Share-based compensation	2,657	2,120
Gain on disposals of property and equipment	(20)	(13)
Excess tax benefits from share-based payment arrangements	(301)	(3)
Provision for doubtful accounts	216	496
Changes in assets and liabilities, net of acquired businesses:		
Accounts receivable	(36,802)	(19,066)
Inventories	(90,060)	(45,989)
Prepaid expenses and other assets	3,240	5,144
Notes receivable, trade	(1,131)	(301)
Accounts payable	50,598	36,962
Accrued expenses and other liabilities	12,940	15,950
Net cash (used in) provided by operating activities	(32,904)	17,483
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(7,549)	(9,700)
Purchases of acquired businesses, net of cash acquired	(21,842)	
Proceeds from disposals of property and equipment	20	21
Net cash used in investing activities	(29,371)	(9,679)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments under notes payable	(96,425)	(15,000)
Repayments of long-term debt	(1,257)	(1,254)
Net proceeds from common stock issuance	138,305	
Increase in bank overdraft	18,326	13,583
Proceeds from exercise of stock options	1,910	14
Payment of employee restricted stock tax withholdings	(1,966)	(558)
Excess tax benefits from share-based payment arrangements	301	3
Capitalized debt issuance costs		(7)
Net cash provided by (used in) financing activities	59,194	(3,219)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(15)	
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,096)	4,585
Cash and cash equivalents at beginning of period	13,802	10,269
Cash and cash equivalents at end of period	$ 10,706	$ 14,854
Supplemental disclosures of cash flow information:		
Interest paid, net of amounts capitalized	$ 1,259	$ 1,200
Federal and state income taxes paid, net of refunds	$ 2,516	$ 1,525

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

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UNITED NATURAL FOODS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 30, 2010 (Unaudited)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Presentation*

United Natural Foods, Inc. (the Company) is a leading national distributor and retailer of natural, organic and specialty products. The Company sells its products primarily throughout the United States and Canada.

The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year s presentation.

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information, including the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally required in complete financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted. In the Company s opinion, these financial statements include all adjustments necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. The results of operations for interim periods, however, may not be indicative of the results that may be expected for a full year. These financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended July 31, 2010.

Net sales consists primarily of sales of natural, organic and specialty products to retailers, adjusted for customer volume discounts, returns and allowances. Net sales also includes amounts charged by the Company to customers for shipping and handling, and fuel surcharges. The principal components of cost of sales include the amount paid to manufacturers and growers for product sold, plus the cost of transportation necessary to bring the product to the Company s distribution facilities. Cost of sales also includes amounts incurred by the Company s manufacturing subsidiary, United Natural Trading Co., which does business as Woodstock Farms Manufacturing, for inbound transportation costs and depreciation for manufacturing equipment offset by consideration received from suppliers in connection with the purchase or promotion of the suppliers products. Operating expenses include salaries and wages, employee benefits (including payments under the Company s Employee Stock Ownership Plan), warehousing and delivery, selling, occupancy, insurance, administrative, share-based compensation and amortization expense. Operating expenses also include depreciation expense related to the wholesale and retail divisions. Other expense (income) includes interest on outstanding indebtedness, interest income and miscellaneous income and expenses.

(b) *Shipping and Handling Fees and Costs*

The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with inbound freight are generally recorded in cost of sales, whereas shipping and handling costs for selecting, quality assurance, and outbound transportation are recorded in operating expenses. Outbound shipping and handling costs, which exclude employee benefit expenses which are not allocated, totaled $58.7 million and $52.8 million for the three months ended October 30, 2010 and October 31, 2009, respectively.

2. ACQUISITIONS

During the three months ended October 30, 2010, the Company, within its wholesale segment, completed its acquisition of the Rocky Mountain and Southwest distribution business of Whole Foods Market Distribution, Inc. (Whole Foods Distribution), a wholly owned subsidiary of Whole Foods Market, Inc. (Whole Foods Market), whereby the Company (i) acquired inventory at Whole Foods Distribution s Aurora, Colorado and Austin, Texas distribution facilities; (ii) acquired substantially all of Whole Foods Distribution s assets, other than the inventory, at the Aurora, Colorado distribution facility; (iii) assumed Whole Foods Distribution s obligations under the existing lease agreement related to the Aurora, Colorado distribution facility; and (iv) hired substantially all of Whole Foods Distribution s employees working at the Aurora, Colorado distribution facility. In connection therewith, on October 11, 2010, the Company amended the existing Agreement for the Distribution of Products, dated as of September 26, 2006 between the Company and Whole Foods Market as subsequently amended on June 2, 2010, pursuant to which the Company became Whole Foods Market s primary distributor in its Rocky Mountain Region, which includes Colorado, Kansas, New Mexico, Utah, Idaho, Montana and Wyoming, and its Southwest Region, which includes Texas, Louisiana, Oklahoma and

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Arkansas. The Company expects to generate incremental annual revenues of approximately $160 million from Whole Foods Market as a result of this transaction. For the quarter ended October 30, 2010, it is impracticable for the Company to provide complete financial results for this acquisition since the acquisition was absorbed by the operations of our wholesale division. Net sales resulting from the acquisition totalled approximately $14.7 million for the three months ended October 30, 2010. We do not record the expenses for this business separately from the division, and no separate financial statements are produced.

During the three months ended October 30, 2010 the Company recorded certain adjustments to the amounts recorded during the fourth quarter of fiscal 2010 related to the acquisition of certain Canadian food distribution assets of the SunOpta Distribution Group business of SunOpta Inc. (SunOpta) (the SDG assets) acquired by the Company s Canadian subsidiary on June 11, 2010. These adjustments included an unfavorable lease liability of $0.6 million recorded within intangible assets based on updated valuation information, and an adjustment of $0.3 million to reduce the amount receivable related to the working capital adjustment, which increased goodwill by a total of $0.9 million. While the valuation report and our final purchase accounting are not yet complete, as of October 30, 2010, the Company does not expect any further material changes to the amounts recorded in the financial statements. Net sales resulting from the acquisition totaled $44.7 million for the three months ended October 30, 2010 and net income was not significant compared to the Company s consolidated net income. Total assets of UNFI Canada were approximately $79.8 million as of October 30, 2010.

During the three months ended October 30, 2010, the Company recorded an adjustment to a liability related to certain restructuring activities at Distribution Holdings, Inc. and its wholly-owned subsidiary Millbrook Distribution Services, Inc. (DHI), which the Company acquired on November 2, 2007. These restructuring activities, which included reductions in staffing and the planned elimination of a facility, were charged to the cost of the acquisition of DHI and a corresponding liability of $7.6 million was included in other long-term liabilities for the fiscal year ended August 1, 2009. This liability was reduced in fiscal 2010 by $1.7 million ($1.0 million net of tax) due to an adjustment in the timeline of certain of the planned restructuring activities. This liability was further reduced during the three months ended October 30, 2010 by $0.5 million ($0.3 million net of tax) due to another adjustment in the timeline of certain of the planned restructuring activities.

During the three months ended October 30, 2010, the Company recorded an increase of less than $0.1 million to its intangible assets in recognition of ongoing contingent consideration payments in the form of royalties ranging between 2-4% of net sales (as defined in the applicable purchase agreement) related to two of its branded product company acquisitions. A third branded product company acquisition requires ongoing contingent consideration payments in the form of earn-outs over a period of five years from the acquisition date. These earn-outs are based on tiers of net sales for the trailing twelve months. No amounts were earned or paid during the three months ended October 30, 2010.

During the three months ended October 31, 2009, the Company did not make any acquisitions or contingent consideration payments.

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3. EARNINGS PER SHARE

Following is a reconciliation of the basic and diluted number of shares used in computing earnings per share:

(In thousands)	Three months ended October 30, 2010	Three months ended October 31, 2009
Basic weighted average shares outstanding	44,771	42,982
Net effect of dilutive stock awards based upon the treasury stock method	330	229
Diluted weighted average shares outstanding	45,101	43,211

There were 303,847 and 1,049,029 anti-dilutive share-based payment awards outstanding for the three months ended October 30, 2010 and October 31, 2009, respectively. These anti-dilutive share-based payment awards were excluded from the calculation of diluted earnings per share.

4. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

As of August 2, 2009, the Company fully adopted FASB ASC 820, *Fair Value Measurements and Disclosures* (ASC 820), for financial assets and liabilities and for non-financial assets and liabilities that are recognized or disclosed at fair value on at least an annual basis. ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability, such as inherent risk, transfer restrictions, and risk of nonperformance. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

• Level 3 Inputs - One or more significant inputs that are unobservable and supported by little or no market activity, and that reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques, and significant management judgment or estimation.

Interest Rate Swap Agreement

On August 1, 2005, the Company entered into an interest rate swap agreement effective July 29, 2005. The agreement provides for the Company to pay interest for a seven-year period at a fixed rate of 4.70% on an initial amortizing notional principal amount of $50.0 million while receiving interest for the same period at the one-month London Interbank Offered Rate (LIBOR) on the same notional principal amount. The swap has been entered into as a hedge against LIBOR movements on current variable rate indebtedness at one-month LIBOR plus 1.00%, thereby fixing its effective rate on the notional amount at 5.70%. The swap agreement qualifies as an effective hedge under FASB ASC 815, *Derivatives and Hedging* (ASC 815). LIBOR was 0.25% and 0.24% as of October 30, 2010 and October 31, 2009, respectively.

Interest rate swap agreements are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company s interest rate swap agreement is designated as a

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cash flow hedge at October 30, 2010 and is reflected at fair value in the Company s consolidated balance sheet as a component of other long-term liabilities. The related gains or losses on this contract are generally deferred in stockholders equity as a component of other comprehensive income. However, to the extent that the swap agreement is not considered to be effective in offsetting the change in the value of the item being hedged, any change in fair value relating to the ineffective portion of the swap agreement is immediately recognized in income. For the periods presented, the Company did not have any ineffectiveness requiring current income recognition.

Fuel Supply Agreements

The Company is a party to several fixed price fuel supply agreements. During the fourth quarter of fiscal 2010, the Company entered into several agreements which require it to purchase a portion of its diesel fuel each month at fixed prices through July 2011. These fixed price fuel agreements qualify for the normal purchase exception under ASC 815 as physical deliveries will occur rather than net settlements, therefore the fuel purchases under these contracts are expensed as incurred and included within operating expenses. During the three months ended October 31, 2009, the Company was a party to several similar agreements which required it to purchase a portion of its diesel fuel each month at fixed prices through July 2010. These fixed price fuel agreements also qualified for the normal purchase exception under ASC 815, therefore the fuel purchases under these contracts were expensed as incurred and included within operating expenses.

The following table provides the fair values hierarchy for financial assets and liabilities measured on a recurring basis:

		Fair Value at October 30, 2010	
(In thousands)	**Level 1**	**Level 2**	**Level 3**
Liabilities:			
Interest Rate Swap		$ 2,280	
Total		$ 2,280	

		Fair Value at July 31, 2010	
(In thousands)	**Level 1**	**Level 2**	**Level 3**
Liabilities:			
Interest Rate Swap		$ 2,493	
Total		$ 2,493	

The Company s determination of the fair value of its interest rate swap is calculated using a discounted cash flow analysis based on the terms of the swap contract and the observable interest rate curve. The Company does not enter into derivative agreements for trading purposes.

The fair value of the Company s other financial instruments including cash, accounts receivable, notes receivable, accounts payable and accrued expenses approximate carrying amounts due to the short-term nature of these instruments. The fair value of notes payable approximate carrying amounts as they are variable rate instruments.

The following estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies taking into account the instruments interest rate, terms, maturity date and collateral, if any, in comparison to the Company s incremental borrowing rate for similar financial instruments. However, considerable judgment is required in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

	October 30, 2010	
(In thousands)	**Carrying Value**	**Fair Value**
Liabilities:		
Long term debt, including current portion	$ 52,209	$ 52,211

	July 31, 2010	
(In thousands)	**Carrying Value**	**Fair Value**
Liabilities:		
Long term debt, including current portion	$ 53,466	$ 53,456

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5. BUSINESS SEGMENTS

The Company has several operating divisions aggregated under the wholesale segment, which is the Company s only reportable segment. These operating divisions have similar products and services, customer channels, distribution methods and historical margins. The wholesale segment is engaged in national distribution of natural, organic and specialty foods, produce and related products in the United States and Canada. The Company has additional operating divisions that do not meet the quantitative thresholds for reportable segments and are therefore aggregated under the caption of Other . Other includes a retail division, which engages in the sale of natural foods and related products to the general public through retail storefronts on the east coast of the United States, a manufacturing division, which engages in importing, roasting and packaging of nuts, seeds, dried fruit, trail mixes, granola, natural and organic snack items, confections and the Company s branded product lines. Other also includes certain corporate operating expenses that are not allocated to operating divisions, which consist of depreciation, salaries, retainers, and other related expenses of officers, directors, corporate finance (including professional services), information technology, governance, legal, human resources and internal audit that are necessary to operate the Company s headquarters located in Providence, Rhode Island. As the Company continues to expand its business and serve its customers through a national platform, these corporate expense amounts have increased, which is the primary driver behind the increasing operating losses within the Other category below. Non-operating expenses that are not allocated to the operating divisions are under the caption of Unallocated Expenses . The Company does not record its revenues for financial reporting purposes by product group, and it is therefore impracticable for the Company to report them accordingly.

Following reflects business segment information for the periods indicated (in thousands):

	Wholesale	Other	Eliminations	Unallocated	Consolidated
Three months ended October 30, 2010:					
Net sales	$ 1,039,775	$ 44,373	$ (31,181)		$ 1,052,967
Operating income (loss)	38,842	(8,472)	(714)		29,656
Interest expense				$ 1,386	1,386
Interest income				(208)	(208)
Other, net				(53)	(53)
Income before income taxes					28,531
Depreciation and amortization	7,642	713			8,355
Capital expenditures	7,245	304			7,549
Goodwill	171,479	17,331			188,810
Total assets	1,267,577	137,882	(11,797)		1,393,662
Three months ended October 31, 2009:					
Net sales	$ 869,020	$ 40,068	$ (24,320)		$ 884,768
Operating income (loss)	35,198	(8,130)	124		27,192
Interest expense				$ 1,381	1,381
Interest income				(69)	(69)
Other, net				(8)	(8)
Income before income taxes					25,888
Depreciation and amortization	5,571	1,079			6,650
Capital expenditures	7,119	2,581			9,700
Goodwill	146,970	17,363			164,333
Total assets	1,012,784	123,302	(10,145)		