

SONOCO PRODUCTS CO

Form 10-Q

April 28, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended March 28, 2010**

**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 No. 0-516**

**SONOCO PRODUCTS COMPANY**

Incorporated under the laws  
of South Carolina

I.R.S. Employer Identification  
No. 57-0248420

1 N. Second St.

Hartsville, South Carolina 29550

Telephone: 843/383-7000

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  No

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 during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  No  (not applicable to registrant during the preceding 12 months)

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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock at April 23, 2010:  
Common stock, no par value: 100,390,580

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**SONOCO PRODUCTS COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS** (unaudited)  
(Dollars and shares in thousands)

	<b>March 28, 2010</b>	<b>December 31, 2009*</b>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 188,228	\$ 185,245
Trade accounts receivable, net of allowances	487,112	428,293
Other receivables	30,524	35,469
Inventories:		
Finished and in process	124,542	114,652
Materials and supplies	189,017	173,876
Prepaid expenses	34,719	33,300
Deferred income taxes	26,268	25,738
	1,080,410	996,573
<b>Property, Plant and Equipment, Net</b>	909,028	926,829
<b>Goodwill</b>	809,356	813,530
<b>Other Intangible Assets, Net</b>	111,497	115,044
<b>Long-term Deferred Income Taxes</b>	57,531	57,105
<b>Other Assets</b>	155,483	153,499
<b>Total Assets</b>	<b>\$ 3,123,305</b>	<b>\$ 3,062,580</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Payable to suppliers	\$ 409,985	\$ 375,365
Accrued expenses and other	301,733	299,950
Notes payable and current portion of long-term debt	113,388	118,053
Accrued taxes	27,791	12,271
	852,897	805,639
<b>Long-term Debt, Net of Current Portion</b>	464,705	462,743
<b>Pension and Other Postretirement Benefits</b>	317,170	321,355
<b>Deferred Income Taxes</b>	27,566	30,571
<b>Other Liabilities</b>	60,837	61,642
<b>Commitments and Contingencies</b>		
<b>Sonoco Shareholders' Equity</b>		
Common stock, no par value		
Authorized 300,000 shares 100,280 and 100,149 shares issued and outstanding at March 28, 2010 and December 31, 2009, respectively	7,175	7,175
Capital in excess of stated value	430,204	421,632

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Accumulated other comprehensive loss	(320,617)	(310,469)
Retained earnings	1,269,260	1,248,043
Total Sonoco Shareholders' Equity	1,386,022	1,366,381
<b>Noncontrolling Interests</b>	14,108	14,249
Total Equity	1,400,130	1,380,630
Total Liabilities and Equity	\$ 3,123,305	\$ 3,062,580

\* The year-end condensed consolidated balance sheet data was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

See accompanying Notes to Condensed Consolidated Financial Statements

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**SONOCO PRODUCTS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME** (unaudited)  
(Dollars and shares in thousands except per share data)

	<b>Three Months Ended</b>	
	<b>March 28, 2010</b>	<b>March 29, 2009</b>
Net sales	\$ 935,133	\$ 800,629
Cost of sales	759,375	659,766
Gross profit	175,758	140,863
Selling, general and administrative expenses	96,136	88,949
Restructuring/Asset impairment charges	3,947	7,210
Income before interest and income taxes	75,675	44,704
Interest expense	8,930	10,356
Interest income	493	725
Income before income taxes	67,238	35,073
Provision for income taxes	19,911	11,392
Income before equity in earnings of affiliates	47,327	23,681
Equity in earnings of affiliates, net of tax	1,226	54
Net income	\$ 48,553	\$ 23,735
Net (income)/loss attributable to noncontrolling interests	\$ 19	\$ (613)
Net income attributable to Sonoco	\$ 48,572	\$ 23,122
Weighted average common shares outstanding:		
Basic	101,165	100,612
Diluted	101,842	100,712
Per common share:		
Net income attributable to Sonoco:		
Basic	\$ 0.48	\$ 0.23
Diluted	\$ 0.48	\$ 0.23

Cash dividends	\$ 0.27	\$ 0.27
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See accompanying Notes to Condensed Consolidated Financial Statements

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**SONOCO PRODUCTS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS** (unaudited)  
(Dollars in thousands)

	<b>Three Months Ended</b>	
	<b>March 28, 2010</b>	<b>March 29, 2009*</b>
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 48,553	\$ 23,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Restructuring-related asset impairment	98	4,970
Depreciation, depletion and amortization	40,413	40,857
Share-based compensation expense	5,306	2,704
Equity in earnings of affiliates	(1,226)	(54)
Cash dividends from affiliated companies	3,425	
Gain on disposition of assets	(1,162)	(4,804)
Pension and postretirement plan expense	13,258	22,529
Pension and postretirement plan contributions	(10,077)	(8,966)
Tax effect of nonqualified stock options	459	
Excess tax benefit of share-based compensation	(390)	
Net decrease in deferred taxes	(3,845)	(795)
Change in assets and liabilities, net of effects from acquisitions, dispositions, and foreign currency adjustments:		
Trade accounts receivable	(62,900)	(6,348)
Inventories	(27,630)	(5,190)
Payable to suppliers	46,832	(9,698)
Prepaid expenses	202	7,368
Income taxes payable and other income tax items	12,970	1,661
Fox River environmental reserves	(459)	(3,821)
Other assets and liabilities	9,959	11,365
Net cash provided by operating activities	73,786	75,513
<b>Cash Flows from Investing Activities:</b>		
Purchase of property, plant and equipment	(28,514)	(34,643)
Proceeds from the sale of assets	214	5,010
Net cash used in investing activities	(28,300)	(29,633)
<b>Cash Flows from Financing Activities:</b>		
Proceeds from issuance of debt	2,494	12,233
Principal repayment of debt	(6,801)	(13,258)
Net increase (decrease) in commercial paper		(21,000)
Net decrease in outstanding checks	(9,630)	(16,538)
Excess tax benefit of share-based compensation	390	
Cash dividends	(27,070)	(26,945)
Shares acquired	(110)	(956)
Shares issued	2,701	



Net cash used in financing activities	(38,026)	(66,464)
<b>Effects of Exchange Rate Changes on Cash</b>	(4,477)	(2,497)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	2,983	(23,081)
Cash and cash equivalents at beginning of period	185,245	101,655
Cash and cash equivalents at end of period	\$ 188,228	\$ 78,574

\* Prior year's data  
have been  
reclassified to  
conform to the  
current year's  
presentation

See accompanying Notes to Condensed Consolidated Financial Statements

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**SONOCO PRODUCTS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in thousands except per share data)

(unaudited)

**Note 1: Basis of Interim Presentation**

In the opinion of the management of Sonoco Products Company (the Company or Sonoco), the accompanying unaudited condensed consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments, unless otherwise stated) necessary to state fairly the consolidated financial position, results of operations and cash flows for the interim periods reported herein. Operating results for the three months ended March 28, 2010, are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

With respect to the unaudited condensed consolidated financial information of the Company for the three month periods ended March 28, 2010 and March 29, 2009 included in this Form 10-Q, PricewaterhouseCoopers LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated April 28, 2010 appearing herein, states that they did not audit and they do not express an opinion on that unaudited financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. PricewaterhouseCoopers LLP is not subject to the liability provisions of Section 11 of the Securities Act of 1933 for their report on the unaudited financial information because that report is not a report or a part of a registration statement prepared or certified by PricewaterhouseCoopers LLP within the meaning of Sections 7 and 11 of the Act.

**Note 2: Shareholders' Equity****Earnings per Share**

The following table sets forth the computation of basic and diluted earnings per share:

	<b>Three Months Ended</b>	
	March 28, 2010	March 29, 2009
Numerator:		
Net income attributable to Sonoco	\$ 48,572	\$ 23,122
Denominator:		
Weighted average common shares outstanding		
Dilutive effect of:	101,165,000	100,612,000
Stock-based compensation	677,000	100,000
Dilutive shares outstanding	101,842,000	100,712,000
Reported net income attributable to Sonoco per common share:		
Basic	\$ 0.48	\$ 0.23
Diluted	\$ 0.48	\$ 0.23

Stock options and stock appreciation rights to purchase 1,898,194 and 6,011,600 shares at March 28, 2010 and March 29, 2009, respectively, were not dilutive and, therefore, are excluded from the computations of diluted income attributable to Sonoco per common share amounts. No adjustments were made to reported net income attributable to

Sonoco in the computations of earnings per share.

***Stock Repurchases***

The Company's Board of Directors has authorized the repurchase of up to 5,000,000 shares of the Company's common stock. No shares were repurchased under this authorization during the first three months of 2010. Accordingly, at March 28, 2010, a total of 5,000,000 shares remain available for repurchase.

The Company occasionally repurchases shares of its common stock to satisfy employee tax withholding obligations in association with the exercise of stock appreciation rights and performance-based stock awards.

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(unaudited)

These repurchases, which are not part of a publicly announced plan or program, totaled 3,678 shares in the first three months of 2010 at a cost of \$110, and 43,842 shares in the first three months of 2009 at a cost of \$956.

**Note 3: Restructuring and Asset Impairment**

The Company has engaged in a number of restructuring actions over the past several years. Actions initiated in 2010, 2009, 2008 and 2007 are reported as 2010 Actions, 2009 Actions, 2008 Actions and 2007 Actions, respectively. In addition, the Company has two formal restructuring plans that are still active, although both were substantially complete at March 28, 2010. These are reported as Earlier Actions. Following are the total restructuring and asset impairment charges, net of adjustments, recognized by the Company during the periods presented:

	<b>Three Months Ended</b>	
	<b>March 28, 2010</b>	<b>March 29, 2009</b>
Restructuring/Asset impairment:		
2010 Actions	\$ 2,733	\$ 34
2009 Actions	1,787	8,188
2008 Actions	523	3,329
2007 Actions	129	(4,367)
Earlier Actions	(1,225)	60
Restructuring/Asset impairment charges	\$ 3,947	\$ 7,210
Income tax benefit	(1,742)	(2,657)
Equity method investments, net of tax	218	34
Impact of Noncontrolling Interests, net of tax	39	1,506
Total impact of Restructuring/Asset impairment charges, net of tax	\$ 2,462	\$ 6,059

Restructuring and asset impairment charges are included in Restructuring/Asset impairment charges in the Condensed Consolidated Statements of Income.

The Company expects to recognize future additional cash costs totaling approximately \$4,700 in connection with previously announced restructuring actions and believes that the majority of these charges will be incurred and paid by the end of 2010. The Company continually evaluates its cost structure, including its manufacturing capacity, and additional restructuring actions may be undertaken.

**2010 Actions**

During 2010, the Company initiated the consolidation of two manufacturing operations in the Packaging Services segment into a single facility. In addition, the Company continued to realign its fixed cost structure resulting in the elimination of approximately 34 positions in 2010.

Below is a summary of 2010 Actions and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

	<b>First Quarter 2010</b>	<b>Total Incurred to Date</b>	<b>Estimated Total Cost</b>
<b>2010 Actions</b>			

**Severance and Termination Benefits**

Tubes and Cores/Paper segment	\$ 1,227	\$ 1,227	\$ 1,677
Consumer Packaging segment	321	321	321
Packaging Services segment	1,152	1,152	1,152
All Other Sonoco	33	33	33

**Other Costs**

Packaging Services segment	¾	¾	250
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<b>Total Charges and Adjustments</b>	<b>\$ 2,733</b>	<b>\$ 2,733</b>	<b>\$ 3,433</b>
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**SONOCO PRODUCTS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in thousands except per share data)

(unaudited)

The following table sets forth the activity in the 2010 Actions restructuring accrual included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheets:

<b>2010 Actions Accrual Activity 2010 Year to Date</b>	<b>Severance and Termination Benefits</b>	<b>Asset Impairment/ Disposal of Assets</b>	<b>Other Costs</b>	<b>Total</b>
Liability at December 31, 2009	\$ 3/4	\$ 3/4	\$ 3/4	\$ 3/4
2010 charges	2,733	3/4	3/4	2,733
Cash payments	(435)	3/4	3/4	(435)
Foreign currency translation	(19)	3/4	3/4	(19)
Liability at March 28, 2010	\$ 2,279	\$ 3/4	\$ 3/4	\$ 2,279

The Company expects to pay the majority of the remaining 2010 Actions restructuring costs by the end of 2010 using cash generated from operations.

**2009 Actions**

During 2009, the Company initiated closures in its Tubes and Cores/Paper segment including a paper mill in the United States and five tube and core plants—three in the United States, one in Europe, and one in Canada. The Company also initiated the closures of a rigid paper packaging plant in the United States (part of the Consumer Packaging segment), a fulfillment service center in Germany (part of the Packaging Services segment), and a molded plastics facility in the United States (part of All Other Sonoco). The Company also sold a small Canadian recovered paper brokerage business during 2009. In addition to the plant closures, the Company realigned its fixed cost structure resulting in the elimination of approximately 210 positions in 2009.

Below is a summary of 2009 Actions and related expenses by type incurred and estimated to be incurred through the end of the restructuring initiative.

<b>2009 Actions</b>	<b>First Quarter 2010</b>	<b>First Quarter 2009</b>	<b>Total Incurred to Date</b>	<b>Estimated Total Cost</b>
<b>Severance and Termination Benefits</b>				
Tubes and Cores/Paper segment	\$ 256	\$ 1,930	\$ 13,781	\$ 13,781
Consumer Packaging segment	250	212	2,295	2,400
Packaging Services segment	(53)	3/4	1,379	1,379
All Other Sonoco	198	756	1,436	1,436
Corporate	6	3/4	671	671
<b>Asset Impairment / Disposal of Assets</b>				
Tubes and Cores/Paper segment	(38)	5,114	6,345	6,345
Consumer Packaging segment	3/4	3/4	556	556
Packaging Services segment	3/4	3/4	7	7
All Other Sonoco	3/4	3/4	303	303
<b>Other Costs</b>				
Tubes and Cores/Paper segment	510	3/4	2,426	4,096

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Consumer Packaging segment	333	$\frac{3}{4}$	412	1,387
Packaging Services segment	180	$\frac{3}{4}$	325	325
All Other Sonoco	145	176	480	530
<b>Total Charges and Adjustments</b>	<b>\$ 1,787</b>	<b>\$ 8,188</b>	<b>\$ 30,416</b>	<b>\$ 33,216</b>

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**SONOCO PRODUCTS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in thousands except per share data)

(unaudited)

The following table sets forth the activity in the 2009 Actions restructuring accrual included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheets:

<b>2009 Actions Accrual Activity 2010 Year to Date</b>	<b>Severance and Termination Benefits</b>	<b>Asset Impairment/ Disposal of Assets</b>	<b>Other Costs</b>	<b>Total</b>
Liability at December 31, 2009	\$ 8,825	\$ ¾	\$ 11	\$ 8,836
2010 charges	942	¾	1,168	2,110
Adjustments	(285)	(38)	¾	(323)
Cash receipts/(payments)	(2,762)	38	(1,121)	(3,845)
Foreign currency translation	(13)	¾	¾	(13)
Liability at March 28, 2010	\$ 6,707	\$ ¾	\$ 58	\$ 6,765

The Company expects to pay the majority of the remaining 2009 Actions restructuring costs by the end of 2010 using cash generated from operations.

**2008 Actions**

During 2008, the Company initiated the following closures in its Tubes and Cores/Paper segment: ten tube and core plants, three in the United States, three in Canada, two in the United Kingdom, one in Spain, and one in China; two paper mills, one in the United States and one in Canada; and a specialty paper machine in the United States. In addition, closures were initiated at four rigid packaging plants in the United States (part of the Consumer Packaging segment) and two fulfillment centers in the United States (part of the Packaging Services segment). The Company also realigned its fixed cost structure resulting in the elimination of approximately 125 salaried positions.

The estimated total cost of 2008 Actions is expected to reach \$47,976, of which \$46,976 had been incurred as of March 28, 2010. Costs for these actions included in the quarters ended March 28, 2010 and March 29, 2009, totaled \$523 and \$3,329, respectively. Below is a summary of expenses/(income) incurred by segment for 2008 Actions for the quarters ended March 28, 2010 and March 29, 2009.

<b>2008 Actions</b>	<b>First Quarter 2010</b>	<b>First Quarter 2009</b>
Tubes and Cores/Paper segment	\$ 454	\$ 3,139
Consumer Packaging segment	69	598
Packaging Services segment	¾	(423)
Corporate	¾	15
<b>Total Charges and Adjustments</b>	<b>\$ 523</b>	<b>\$ 3,329</b>

The accrual for 2008 actions totaled \$2,162 and \$2,954 as of March 28, 2010 and December 31, 2009, respectively. Net cash payments during the quarter ended March 28, 2010 were \$1,307. The Company expects to pay the majority of the remaining 2008 Actions restructuring costs by the end of 2010 using cash generated from operations.

**2007 Actions**



In 2007, the Company initiated the closures of the following operations: a metal ends plant in Brazil (part of the Consumer Packaging segment), a rigid packaging plant in the United States (part of the Consumer Packaging segment), a paper mill in China (part of the Tubes and Cores/Paper segment), a molded plastics plant in Turkey (part of All Other Sonoco), and a point-of-purchase display manufacturing plant in the United States (part of the Packaging Services segment).

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(Dollars in thousands except per share data)

(unaudited)

The estimated total cost of 2007 Actions is expected to reach \$24,935, of which \$24,835 had been incurred as of March 28, 2010. Costs for these actions included in the quarters ended March 28, 2010 and March 29, 2009, totaled \$129 and \$(4,367), respectively. The prior year's first quarter included a gain from the sale of assets associated with the Company's closure of a paper mill in China. Below is a summary of income/expenses by segment for 2007 Actions for the quarters ended March 28, 2010 and March 29, 2009.

	<b>First Quarter 2010</b>	<b>First Quarter 2009</b>
<b>2007 Actions</b>		
Tubes and Cores/Paper segment	96	(4,433)
Consumer Packaging segment	33	73
All Other Sonoco	3/4	(7)
<b>Total Charges and Adjustments</b>	<b>\$ 129</b>	<b>\$ (4,367)</b>

The accrual for 2007 Actions totaled \$45 as of March 28, 2010 and December 31, 2009. Net cash payments during the quarter ended March 28, 2010, were \$129. The Company expects to pay the majority of the remaining 2007 Actions restructuring costs during 2010 using cash generated from operations.

During the three months ended March 28, 2010 and March 29, 2009, the Company also recorded non-cash, after-tax offsets in the amounts of \$39 and \$1,506, respectively, to reflect a noncontrolling interest holder's portion of restructuring costs that were charged to expense.

**Earlier Actions**

Earlier Actions are comprised of two formal restructuring plans, the 2006 Plan and the 2003 Plan, both of which included a number of plant closures and workforce reductions. During the first quarter of 2010, the Company completed the sale of the land and buildings associated with a former paper mill in France resulting in the recognition of a \$1,204 gain. This gain, which partially offsets asset impairment charges recognized in 2006 when the decision was made to close the facility, is included in Restructuring/Asset impairment charges in the Company's Condensed Consolidated Statements of Income. At March 28, 2010, the remaining restructuring accrual for Earlier Actions was \$527. The accrual, included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheet, relates primarily to building lease terminations and unpaid severance and termination benefits. The Company expects to recognize future pre-tax charges of approximately \$100 associated with Earlier Actions, primarily related to building lease terminations and costs of exiting two closed facilities in Europe. The Company expects both the liability and the future costs to be fully paid at the end of 2012, using cash generated from operations.

**Note 4: Comprehensive Income**

The following table reconciles net income to comprehensive income attributable to Sonoco:

	<b>Three Months Ended</b>	
	March 28, 2010	March 29, 2009
Net income	\$ 48,553	\$ 23,735
Other comprehensive income/(loss):		
Foreign currency translation adjustments	(11,249)	(18,847)

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Changes in defined benefit plans, net of tax	4,179	23,149
Changes in derivative financial instruments, net of tax	(3,078)	(3,724)
Comprehensive income	\$ 38,405	\$ 24,313
Less: Comprehensive income/(loss) attributable to noncontrolling interests	(19)	613
Comprehensive income attributable to Sonoco	\$ 38,424	\$ 23,700

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**SONOCO PRODUCTS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in thousands except per share data)

(unaudited)

The following table summarizes the components of accumulated other comprehensive loss and the changes in accumulated other comprehensive loss, net of tax as applicable, for the three months ended March 28, 2010:

	<b>Foreign Currency Translation Adjustments</b>	<b>Defined Benefit Plans</b>	<b>Derivative Financial Instruments</b>	<b>Accumulated Other Comprehensive Loss</b>
Balance at December 31, 2009	\$ 10,798	\$ (316,658)	\$ (4,609)	\$ (310,469)
Year-to-date change	(11,249)	4,179	(3,078)	(10,148)
Balance at March 28, 2010	\$ (451)	\$ (312,479)	\$ (7,687)	\$ (320,617)

At March 28, 2010, the Company had commodity and foreign currency contracts outstanding to fix the costs of certain anticipated raw materials and energy purchases. These contracts, which have maturities ranging from April 2010 to December 2012, qualify as cash flow hedges under U.S. GAAP. The amounts included in accumulated other comprehensive loss related to these cash flow hedges were an unfavorable position of \$12,162 (\$7,687 after tax) at March 28, 2010, and an unfavorable position of \$7,329 (\$4,609 after tax) at December 31, 2009.

The cumulative tax benefit on Derivative Financial Instruments was \$4,475 at March 28, 2010, and \$2,720 at December 31, 2009. During the three-month period ended March 28, 2010, the tax benefit on Derivative Financial Instruments increased by \$1,755.

The cumulative tax benefit on Defined Benefit Plans was \$183,573 at March 28, 2010, and \$186,001 at December 31, 2009. During the three-month period ended March 28, 2010, the tax benefit on Defined Benefit Plans decreased by \$(2,428).

Current period foreign currency translation adjustments of \$(160) are included in non controlling interests at March 28, 2010.

**Note 5: Goodwill and Other Intangible Assets****Goodwill**

A summary of the changes in goodwill for the three months ended March 28, 2010 is as follows:

	<b>Tubes and Cores</b>	<b>Consumer Packaging</b>	<b>Packaging Services</b>	<b>All Other Sonoco</b>	<b>Total</b>
Goodwill at December 31, 2009	\$ 236,875	\$ 357,798	\$ 150,082	\$ 68,775	\$ 813,530
Other	(216)	¾	¾	¾	(216)
Foreign currency translation	(6,697)	2,861	¾	(122)	(3,958)
Goodwill at March 28, 2010	\$ 229,962	\$ 360,659	\$ 150,082	\$ 68,653	\$ 809,356

Other consists of goodwill on a small Chilean tube and core business that was contributed to a new joint venture in 2010. The Company accounts for its 19.5% ownership in the new joint venture under the cost method.

The Company completed its most recent annual goodwill impairment testing during the third quarter of 2009. Based on the results of this evaluation, the Company concluded that there was no impairment of goodwill for any of its reporting units. Based on its ongoing evaluation of relevant facts and circumstances, the Company concluded that there were no significant changes during the first quarter of 2010 that require additional

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goodwill impairment testing. For 2009 testing purposes, the fair values of the Company's reporting units were estimated based on projections of future years' operating results and associated cash flows. Reporting units with significant goodwill whose results needed to show improvement, beyond that expected from a recovery in the general economy, in order to assure that there will not be a future impairment include Tubes & Cores/Paper - Europe, Matrix Packaging, and Molded Plastics. In addition, the Company's Australian Rigid Paper Containers unit needed to show significant improvement in future cash flows. While the global economic recession has impacted each of these units, it has had a more significant impact on the operating results of Tubes & Cores/Paper- Europe and Molded Plastics. The Company expects operating results in all of these units to improve as general economic conditions improve and has implemented certain restructuring actions that are expected to bolster future cash flows. In addition, results in Matrix Packaging are projected to grow at levels beyond that expected from a recovery in the general economy.

During the fourth quarter of 2009, the Global Services unit participated in a bidding process conducted by its largest customer. The outcome of this bidding activity was unfavorable to the Company as a significant portion of the customer's sales volume will be lost. In response, the Company reevaluated the goodwill of this reporting unit and determined it was not impaired. The reevaluation took into account this loss of the business, and the Company expects that the impact will be largely offset by projected growth with other customers.

If the Company's assessment of the relevant facts and circumstances changes, if economic conditions fail to improve, or if actual performance in any of these reporting units falls short of expected results, noncash impairment charges may be required. Total goodwill associated with Global Services, Matrix Packaging, Tubes & Cores/Paper - Europe, Molded Plastics, and Rigid Paper Containers - Australia was approximately \$150,000, \$129,000, \$102,000, \$42,000, and \$5,500, respectively at March 28, 2010

**Other Intangible Assets**

A summary of other intangible assets as of March 28, 2010 and December 31, 2009 is as follows:

	March 28, 2010	December 31, 2009
Amortizable Intangibles - gross cost		
Patents	\$ 2,591	\$ 2,592
Customer lists	159,804	161,007
Land use rights	345	340
Supply agreements	1,000	1,000
Other	7,698	7,830
Other Intangible Assets, gross	\$ 171,438	\$ 172,769
Total accumulated amortization	\$ (59,941)	\$ (57,725)
Other Intangible Assets, net	\$ 111,497	\$ 115,044

Other intangible assets are amortized on a straight-line basis over their respective useful lives, which generally range from three to twenty years. The Company has no intangibles with indefinite lives. Aggregate amortization expense was \$3,003 and \$2,919 for the three months ended March 28, 2010 and March 29, 2009, respectively. Amortization expense on other intangible assets is expected to approximate \$12,100 in 2010, \$11,800 in 2011, \$11,300 in 2012, \$11,100 in 2013 and \$10,800 in 2014.

**Note 6: Fair Value Measurements**

The following table sets forth information regarding the Company's financial assets and financial liabilities, excluding retirement and postretirement plan assets that are measured at fair value. The Company does not currently have any nonfinancial assets or liabilities that are recognized or disclosed at fair value on a recurring basis.

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<b>Description</b>	<b>Fair Value Measurements at Reporting Date</b>			
	<b>March 28, 2010</b>	<b>Quoted Market Prices in Active Market for Identical Assets/Liabilities (Level 1)</b>	<b>Using Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets:</b>				
Derivatives	\$ 6,192	\$ ¾	\$ 6,192	\$ ¾
Deferred Compensation Plan Assets	\$ 2,079	\$ 2,079	\$ ¾	\$ ¾
<b>Liabilities:</b>				
Derivatives	\$ 16,294	\$ ¾	\$ 16,294	\$ ¾

Fair value measurements for the Company's derivatives, which at March 28, 2010, consisted primarily of natural gas, aluminum, and foreign currency contracts entered into for hedging purposes, are classified under Level 2 because such measurements are determined using published market prices or estimated based on observable inputs such as interest rates, yield curves, spot and future commodity prices and spot and future exchange rates.

Certain deferred compensation plan liabilities are funded and the assets invested in various exchange traded mutual funds. These assets are measured using quoted prices in accessible active markets for identical assets.

None of the Company's financial assets or liabilities currently covered by the disclosure provisions of U.S. GAAP are measured at fair value using significant unobservable inputs. There were no transfers between Levels due to a change in measurement inputs during the quarter.

Although the impairment model for goodwill is a fair value-based assessment model, goodwill is not periodically remeasured at fair value. In the event an impairment loss is recorded, the required nonrecurring fair value disclosures will be provided.

**Note 7: Financial Instruments and Derivatives**

The following table sets forth the carrying amounts and fair values of the Company's significant financial instruments for which the carrying amount differs from the fair value.

	<b>March 28, 2010</b>		<b>December 31, 2009</b>	
	<b>Carrying Amount</b>	<b>Fair Value</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Notes payable and current portion of long-term debt	\$113,388	\$116,440	\$118,053	\$121,318
Long-term debt	\$464,705	\$508,678	\$462,743	\$473,573



The carrying value of cash and cash equivalents, short-term debt and long-term variable-rate debt approximates fair value. The fair value of long-term debt is based on quoted market prices or is determined by discounting future cash flows using interest rates available to the Company for issues with similar terms and average maturities.

In accordance with U.S. GAAP, the Company records its derivatives as assets or liabilities on the balance sheet at fair value using published market prices or estimated values based on current price quotes and a discounted cash flow model to estimate the fair market value of derivatives. Changes in the fair value of derivatives are recognized either in net income or in other comprehensive income, depending on the designated purpose of the derivative. It is the Company's policy not to speculate in derivative instruments. The Company has determined all hedges to be highly effective and as a result no material ineffectiveness has been recorded.

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The Company uses derivatives to mitigate the effect of fluctuations in some of its raw material and energy costs, foreign currency fluctuations and interest rate movements. The Company purchases commodities such as recovered paper, metal and energy generally at market or at fixed prices that are established with the vendor as part of the purchase process for quantities expected to be consumed in the ordinary course of business. The Company may enter into forward contracts or other similar derivative contracts in order to reduce the effect of commodity price fluctuations, and to manage its exposure to foreign currency cash flows, assets, and liabilities. The Company is exposed to interest-rate fluctuations as a result of using debt as a source of financing for its operations. The Company may from time to time use traditional, unleveraged interest rate swaps to adjust its mix of fixed and variable rate debt to manage its exposure to interest rate movements.

**Cash Flow Hedges**

At March 28, 2010 and December 31, 2009, the Company had derivative financial instruments outstanding to hedge anticipated transactions and certain asset and liability related cash flows. To the extent considered effective, the changes in fair value of these contracts are recorded in other comprehensive income and reclassified to income or expense in the period in which the hedged item impacts earnings.

***Commodity Cash Flow Hedges***

The Company has entered into certain derivative contracts to manage the cost of anticipated purchases of natural gas and aluminum. At March 28, 2010, natural gas swaps covering approximately 6.7 million MMBtus were outstanding. These contracts represent approximately 72%, 70% and 13% of anticipated U.S. and Canadian usage for 2010, 2011 and 2012, respectively. Additionally, the Company had swap contracts covering 2.8 thousand metric tons of aluminum representing approximately 29% of anticipated usage for 2010. The fair value of the Company's commodity cash flow hedges were in loss positions of \$14,901 and \$8,294 at March 28, 2010 and December 31, 2009, respectively. The amount of the loss included in Accumulated other comprehensive loss at March 28, 2010, that is expected to be reclassified to the income statement during the next twelve months is \$9,140.

***Foreign Currency Cash Flow Hedges***

The Company has entered into forward contracts to hedge certain anticipated foreign currency denominated sales and purchases forecasted to occur in 2010. At March 28, 2010, the net position of these contracts was to purchase 43.8 million Canadian dollars, 138.5 million Mexican pesos, and 2.1 million British pounds, and to sell 2.2 million euros, 4.3 million Australian dollars, and 2.3 million New Zealand dollars. The fair value of these foreign currency cash flow hedges was \$2,335 at March 28, 2010, and \$721 at December 31, 2009. The amount of the gain included in Accumulated other comprehensive loss at March 28, 2010 expected to be reclassified to the income statement during the next twelve months is \$2,335.

**Fair Value Hedges**

During 2009, the Company entered into an interest rate derivative to swap \$150,000 notional value of its 6.5% debentures due November 2013 to a floating rate. The fair value of this hedge was a net asset of \$1,436 at March 28, 2010, and a net liability of \$(647) at December 31, 2009. In connection with this hedge, the Company recorded an increase in the carrying value of the related bonds of \$1,541 at March 28, 2010, and a decrease in carrying value of \$(572) at December 31, 2009.

**Other Derivatives**

The Company routinely enters into forward contracts or swaps to economically hedge the currency exposure of intercompany debt and existing foreign currency denominated receivables and payables. The Company does not apply hedge accounting treatment for these instruments. As such, changes in fair value are recorded directly to income and expense in the periods that they occur. At March 28, 2010, the net positions of these contracts were to purchase 6.7 million Canadian dollars, 1.7 million British pounds, and 6.8 billion Colombian pesos. The total fair value of these hedges, all of which were short-term, was \$1,027 at March 28, 2010, and \$795 at December 31, 2009.



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The following table sets forth the location and fair values of the Company's derivative instruments at March 28, 2010:

Description	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:		
Commodity Contracts	Other Current Assets	\$ 1,290
Commodity Contracts	Other Current Liabilities	\$ 10,916
Commodity Contracts	Other Long Term Liabilities	\$ 5,275
Foreign Exchange Contracts	Other Current Assets	\$ 2,412
Foreign Exchange Contracts	Other Current Liabilities	\$ 77
Derivatives designated as fair value hedges:		
Interest Rate Swap Contracts	Other Long Term Assets	\$ 1,436
Derivatives not designated as hedging instruments:		
Foreign Exchange Contracts	Other Current Assets	\$ 1,054
Foreign Exchange Contracts	Other Current Liabilities	\$ 26

The following table sets forth the effect of the Company's derivative instruments on financial performance for the three months ended March 28, 2010 and March 29, 2009:

Description	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)	Location of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI Into Income (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion)
<b>Three months ended March 28, 2010</b>					
<b>Derivatives in Cash Flow Hedging Relationships:</b>					
Foreign Exchange Contracts	\$ 805	Net sales	\$ (532)	Net sales	\$ 3/4
Commodity Contracts	\$ (8,392)	Cost of sales	\$ (2,222)	Cost of sales	\$ (513)
<b>Fair value hedge derivatives:</b>					
Interest Rate Swap				Interest expense	\$ (29)

**Three months ended  
March 29, 2009**

**Derivatives in Cash Flow  
Hedging Relationships:**

Foreign Exchange Contracts	\$ (556)	Net sales	\$ (356)	Net sales	\$ ¾
Commodity Contracts	\$ (9,547)	Cost of sales	\$ (5,941)	Cost of sales	\$ 12

**Derivatives not  
designated as hedging  
instruments:**

**Three months ended March 28, 2010**

	<b>Location of Gain or (Loss) Recognized in Income Statement</b>	<b>Gain or (Loss) Recognized</b>
Foreign Exchange Contracts	Cost of sales	\$ 541
	Selling, general and administrative	\$ 4

**Three months ended March 29, 2009**

Foreign Exchange Contracts	Cost of sales	\$ 188
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**Note 8: Dividend Declarations**

On February 9, 2010, the Board of Directors declared a regular quarterly dividend of \$0.27 per share. This dividend was paid March 10, 2010 to all shareholders of record as of February 19, 2010.

On April 21, 2010, the Board of Directors declared a regular quarterly dividend of \$0.28 per share. This dividend is payable June 10, 2010 to all shareholders of record as of May 14, 2010.

**Note 9: Employee Benefit Plans*****Retirement Plans and Retiree Health and Life Insurance Plans***

The Company provides non-contributory defined benefit pension plans for a majority of its employees in the United States and certain of its employees in Mexico and Belgium. Effective December 31, 2003, the Company froze participation for newly hired salaried and non-union hourly U.S. employees in its traditional defined benefit plan. The Company adopted a defined contribution plan, the Sonoco Investment and Retirement Plan (SIRP), covering its non-union U.S. employees hired on or after January 1, 2004. The Company also sponsors contributory pension plans covering the majority of its employees in the United Kingdom, Canada, and the Netherlands, as well as postretirement healthcare and life insurance benefits to the majority of its retirees and their eligible dependents in the United States and Canada.

On February 4, 2009, the U.S. qualified defined benefit pension plan was amended to freeze plan benefits for all active participants effective December 31, 2018. At that time, remaining active participants in the U.S. qualified plan will become participants of the SIRP effective January 1, 2019. Active participants of the U.S. qualified plan had a one-time option to transfer into the SIRP effective January 1, 2010. Approximately one third of the active participants chose that option. The plan amendment also affected participants covered by the pension restoration plan (a nonqualified plan) as the benefit formulas for the restoration plan are linked to the qualified plan. The plan amendment resulted in the assets and liabilities of the U.S. qualified and nonqualified plans being remeasured as of February 4, 2009.

The components of net periodic benefit cost include the following:

	<b>Three Months Ended</b>	
	March 28, 2010	March 29, 2009
<b>Retirement Plans</b>		
Service cost	\$ 5,238	\$ 5,687
Interest cost	17,234	17,248
Expected return on plan assets	(18,849)	(14,280)
Amortization of net transition obligation	105	90
Amortization of prior service cost	29	271
Amortization of net actuarial loss	8,332	9,837
Effect of curtailment loss	¾	2,344
Net periodic benefit cost	\$ 12,089	\$ 21,197
<b>Retiree Health and Life Insurance Plans</b>		
Service cost	\$ 286	\$ 338
Interest cost	580	980

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Expected return on plan assets	(334)	(278)
Amortization of prior service credit	(2,469)	(2,689)
Amortization of net actuarial loss	569	804
Net periodic benefit income	\$ (1,368)	\$ (845)

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As a result of the plan amendment discussed above, the Company recognized curtailment losses totaling \$2,344 in the first quarter of 2009. Approximately 75% of the losses are included in Cost of sales in the Condensed Consolidated Statements of Income; the remainder are included in Selling, general and administrative expenses.

During the three months ended March 28, 2010, the Company made contributions of \$5,255 to its defined benefit retirement and retiree health and life insurance plans. The Company anticipates that it will make additional contributions of approximately \$13,900 in 2010. The Company also contributed \$4,822 to the SIRP during this same three-month period. No additional SIRP contributions are expected during the remainder of 2010. Funding of the Company's U.S. qualified defined benefit pension plan is not required in 2010 due to the \$100,000 voluntary contribution made in December 2009 and the Company's ability to utilize funding credits arising from previously funding the plan in excess of minimum requirements. No assurances can be made, however, about funding requirements beyond 2010, as they will depend largely on actual investment returns and future actuarial assumptions.

***Sonoco Savings Plan***

The Company sponsors the Sonoco Savings Plan, a defined contribution retirement plan, for its U.S. employees. The plan provides for participant contributions of 1% to 30% of gross pay. The plan provides 100% Company matching on the first 3% of pre-tax contributions, 50% Company matching on the next 2% of pre-tax contributions and 100% immediate vesting. The Company's matching contribution to the Sonoco Savings Plan was temporarily suspended effective June 1, 2009. A modified matching contribution was subsequently reinstated by the Company effective January 1, 2010. Under the modified matching arrangement, the Company will match 50% on the first 4% of a participant's pre-tax contributions.

**Note 10: Income Taxes**

The Company's effective tax rate for the three-month periods ending March 28, 2010 and March 29, 2009, was 29.6% and 32.5%, respectively. The rates for both quarters varied from the U.S. statutory rate primarily due to the favorable effect of international operations that are subject to tax rates generally lower than the U.S. rate, the favorable effect of the manufacturer's deduction, and other U.S. tax adjustments. An increase in the U.S. federal manufacturing deduction in 2010 provided a more favorable impact on the Company's effective tax rate in the first quarter of 2010 than in the same period last year.

The Company and/or its subsidiaries file federal, state and local income tax returns in the United States and various foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination by tax authorities for years before 2006. With few exceptions, the Company is no longer subject to examination prior to 2004 with respect to U.S. state and local and non-U.S. income taxes.

There have been no significant changes in the Company's liability for uncertain tax positions since December 31, 2009. The Company's estimate for the potential outcome for any uncertain tax issue is highly judgmental. Management believes that any reasonably foreseeable outcomes related to these matters have been adequately provided for. However, future results may include favorable or unfavorable adjustments to estimated tax liabilities in the period the assessments are made or resolved or when statutes of limitation on potential assessments expire. Additionally, the jurisdictions in which earnings or deductions are realized may differ from current estimates. As a result, the Company's effective tax rate may fluctuate significantly on a quarterly basis.

**Note 11: New Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board issued FAS No.168, The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles—a replacement of FASB Statement No. 162. This statement established the FASB Accounting Standards Codification (the Codification) as the source of authoritative U.S. generally accepted accounting principles (GAAP). This statement became effective for financial statements issued for interim and annual periods ending after September 15, 2009, and as of the effective date, all existing accounting standard documents were superseded. Accordingly, in all of its subsequent public filings the Company will reference the Codification as the sole source of authoritative literature.





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Effective July 1, 2009, changes to the Codification are communicated through an Accounting Standards Update (ASU). As of April 28, 2010, the FASB has issued ASUs 2010-01 through 2010-11. The Company has reviewed each ASU and determined that none will have a material impact on the Company's financial statements.

**Note 12: Financial Segment Information**

Sonoco reports its results in three segments, Consumer Packaging, Tubes and Cores/Paper and Packaging Services. The remaining operations are reported as All Other Sonoco.

The Consumer Packaging segment includes the following products and services: round and shaped rigid packaging (both composite and plastic); printed flexible packaging; metal and peelable membrane ends and closures; and global brand artwork management.

The Tubes and Cores/Paper segment includes the following products: high-performance paper and composite paperboard tubes and cores; fiber-based construction tubes and forms; recycled paperboard, linerboard, corrugating medium, recovered paper and other recycled materials.

The Packaging Services segment provides the following products and services: designing, manufacturing, assembling, packing and distributing temporary, semipermanent and permanent point-of-purchase displays; and supply chain management services, including contract packing, fulfillment and scalable service centers.

All Other Sonoco represents the Company's businesses that do not meet the aggregation criteria for inclusion as a separate reportable segment under U.S. GAAP. All Other Sonoco includes the following products: wooden, metal and composite wire and cable reels; molded and extruded plastics; custom-designed protective packaging; and paper amenities such as coasters and glass covers.

The following table sets forth net sales, intersegment sales and operating profit for the Company's three reportable segments and All Other Sonoco. Operating profit at the segment level is defined as Income before interest and income taxes on the Company's Condensed Consolidated Statements of Income, adjusted for restructuring/asset impairment charges, which are not allocated to the reporting segments.

**FINANCIAL SEGMENT INFORMATION**

	<b>Three Months Ended</b>	
	March 28, 2010	March 29, 2009
Net sales:		
Consumer Packaging	\$ 381,633	\$ 354,908
Tubes and Cores/Paper	369,874	288,340
Packaging Services	111,913	92,861
All Other Sonoco	71,713	64,520
Consolidated	\$ 935,133	\$ 800,629
Intersegment sales:		
Consumer Packaging	\$ 531	\$ 505
Tubes and Cores/Paper	20,256	18,352
Packaging Services	226	307
All Other Sonoco	9,761	8,711
Consolidated	\$ 30,774	\$ 27,875



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**FINANCIAL SEGMENT INFORMATION**

	<b>Three Months Ended</b>	
	March 28, 2010	March 29, 2009
Income before income taxes:		
Operating profit		
Consumer Packaging	\$ 45,656	\$ 39,377
Tubes and Cores/Paper	21,503	6,746
Packaging Services	5,079	655
All Other Sonoco	7,384	5,136
Restructuring/Asset impairment charges	(3,947)	(7,210)
Interest, net	(8,437)	(9,631)
Consolidated	\$ 67,238	\$ 35,073

Prior year results have been restated for the reclassification between segments of a small global brand artwork management business that was previously included in the Packaging Services segment. The impact of this reclassification on the three months ended March 29, 2009, was to transfer \$2,974 of net sales and \$(20) of operating profit from the Packaging Services segment to the Consumer Packaging segment.

**Note 13: Commitments and Contingencies**

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations in all jurisdictions in which it operates. The Company is also currently a defendant in a purported class action by persons who bought Company stock between February 7, 2007 and September 18, 2007. The complaint, as amended, alleges that the Company issued press releases and made public statements during the class period that were materially false and misleading. The complaint seeks an unspecified amount of damages plus interest and attorneys' fees. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Some of these exposures have the potential to be material. Information with respect to these and other exposures appears in Part II Item 8 Financial Statements and Supplementary Data (Note 14 Commitments and Contingencies) in the Company's Annual Report on Form 10-K. The Company cannot currently estimate the final outcome of many of the items described or the ultimate amount of potential losses.

Pursuant to U.S. GAAP, accruals for estimated losses are recorded at the time information becomes available indicating that losses are probable and that the amounts are reasonably estimable. Amounts so accrued are not discounted. While the ultimate liabilities relating to claims and proceedings may be significant to profitability in the period recognized, it is management's opinion that such liabilities, when finally determined, will not have an adverse material effect on Sonoco's consolidated financial position or liquidity.

**Environmental Matters**

During the fourth quarter of 2005, the U. S. Environmental Protection Agency (EPA) notified U.S. Paper Mills Corp. (U.S. Mills), a wholly owned subsidiary of the Company, that U.S. Mills and NCR Corporation (NCR), an unrelated party, would be jointly held responsible to undertake a program to remove and dispose of certain PCB-contaminated sediments at a particular site on the lower Fox River in Wisconsin (the Site). U.S. Mills and NCR reached an agreement between themselves that each would fund 50% of the costs of remediation. The Company has expensed a total of \$17,650 for its estimated share of the total cleanup cost of the Site, and through March 28, 2010, has spent a

total of \$14,463. The Company currently estimates that its share of future related costs may amount to between \$1,900 and \$4,900. However, the actual costs associated with cleanup of the Site are dependent upon many factors and it is possible that remediation costs could be higher than the current estimate of project costs. The Company acquired U.S. Mills in 2001, and the alleged contamination predates the acquisition.

The EPA and Wisconsin Department of Natural Resources (WDNR) have also issued a general notice of potential liability under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and a request to participate in remedial action implementation negotiations relating to a stretch of the lower Fox River, including the bay at Green Bay, (Operating Units 2 - 5) to eight potentially responsible

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parties, including U.S. Mills. Operating Units 2-5 include but also comprise a vastly larger area than the Site. A detailed description of the claims and proceedings associated therewith appears in Part II Item 8 Financial Statements and Supplementary Data (Note 14 Commitments and Contingencies) in the Company's Annual Report on Form 10-K. Since 2007, U.S. Mills has expensed a total of \$60,825 for potential liabilities associated with the Fox River contamination (not including amounts accrued for remediation at the Site) and through March 28, 2010, has spent a total of \$4,057, primarily on legal fees. Although the Company lacks a reasonable basis for identifying any amount within the range of possible loss as a better estimate than any other amount, as has previously been disclosed, the upper end of the range may exceed the net worth of U.S. Mills. However, because the discharges of hazardous materials into the environment occurred before the Company acquired U.S. Mills, and U.S. Mills has been operated as a separate subsidiary of the Company, the Company does not believe that it bears financial responsibility for these legacy environmental liabilities of U.S. Mills. Therefore, the Company continues to believe that the maximum additional exposure to its consolidated financial position is limited to the equity position of U.S. Mills, which was approximately \$80,000 at March 28, 2010.

The Company has been named as a potentially responsible party at several other environmentally contaminated sites. All of the sites are also the responsibility of other parties. The potential remediation liabilities are shared with such other parties, and, in most cases, the Company's share, if any, cannot be reasonably estimated at the current time. As of March 28, 2010 and December 31, 2009, the Company (and its subsidiaries) had accrued \$63,158 and \$63,800, respectively, related to environmental contingencies. Of these, a total of \$59,955 and \$60,414 relate to U.S. Mills at March 28, 2010 and December 31, 2009, respectively. These accruals are included in Accrued expenses and other on the Company's Condensed Consolidated Balance Sheets. U.S. Mills recognized a \$40,825 benefit in 2008 from settlements reached on certain insurance policies covering the Fox River contamination. U.S. Mills' two remaining insurance carriers are in liquidation. It is possible that U.S. Mills may recover from these carriers a small portion of the costs it ultimately incurs. U.S. Mills may also be able to reallocate some of the costs it incurs among other parties. There can be no assurance that such claims for recovery would be successful and no amounts have been recognized in the consolidated financial statements of the Company for such potential recovery or reallocation.

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**Report of Independent Registered Public Accounting Firm**

To the Shareholders and Directors of Sonoco Products Company:

We have reviewed the accompanying condensed consolidated balance sheet of Sonoco Products Company as of March 28, 2010, and the related condensed consolidated statements of income for the three-month periods ended March 28, 2010 and March 29, 2009 and the condensed consolidated statements of cash flows for each of the three-month periods ended March 28, 2010 and March 29, 2009. These interim financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole.

Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of December 31, 2009, and the related consolidated statements of income, shareholders' equity and of cash flows for the year then ended (not presented herein), and in our report dated February 26, 2010, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2009, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

Charlotte, North Carolina

April 28, 2010

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**SONOCO PRODUCTS COMPANY**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

*Statements included in this report that are not historical in nature, are intended to be, and are hereby identified as forward-looking statements for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. The words estimate, project, intend, expect, believe, consider, plan, anticipate, objective, goal, guidance, outlook, forecasts, future, will, would and similar expressions identify forward-looking statements. Forward-looking statements include, but are not limited to, statements regarding offsetting high raw material costs; improved productivity and cost containment; adequacy of income tax provisions; refinancing of debt; adequacy of cash flows; anticipated amounts and uses of cash flows; effects of acquisitions and dispositions; adequacy of provisions for environmental liabilities; financial strategies and the results expected from them; continued payments of dividends; stock repurchases; producing improvements in earnings, financial results for future periods, and creation of long-term value for shareholders. Such forward-looking statements are based on current expectations, estimates and projections about our industry, management's beliefs and certain assumptions made by management. Such information includes, without limitation, discussions as to guidance and other estimates, expectations, beliefs, plans, strategies and objectives concerning our future financial and operating performance. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict. Therefore, actual results may differ materially from those expressed or forecasted in such forward-looking statements. The risks and uncertainties include, without limitation:*

*Availability and pricing of raw materials;*

*Success of new product development and introduction;*

*Ability to maintain or increase productivity levels and contain or reduce costs;*

*International, national and local economic and market conditions;*

*Availability of credit to us, our customers and/or our suppliers in needed amounts and/or on reasonable terms;*

*Fluctuations in obligations and earnings of pension and postretirement benefit plans;*

*Pricing pressures, demand for products, and ability to maintain market share;*

*Continued strength of our paperboard-based tubes and cores and composite can operations;*

*Anticipated results of restructuring activities;*

*Resolution of income tax contingencies;*

*Ability to successfully integrate newly acquired businesses into the Company's operations;*

*Ability to win new business and/or identify and successfully close suitable acquisitions at the levels needed to meet growth targets;*

*Rate of growth in foreign markets;*

*Foreign currency, interest rate and commodity price risk and the effectiveness of related hedges;*

*Actions of government agencies and changes in laws and regulations affecting the Company;*



*Liability for and anticipated costs of environmental remediation actions;*

*Ability to weather the current economic downturn;*

*Loss of consumer or investor confidence; and*

*Economic disruptions resulting from terrorist activities.*

*The Company undertakes no obligation to publicly update or revise forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.*

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Income before interest and income taxes	\$44.7	\$ 7.2	\$51.9
Interest expense, net	9.6	$\frac{3}{4}$	9.6
Income before income taxes and equity in earnings of affiliates	35.1	7.2	42.3
Provision for income taxes	11.4	2.6	14.0
Income before equity in earnings of affiliates	23.7	4.6	28.3
Equity in earnings of affiliates, net of tax	$\frac{3}{4}$	$\frac{3}{4}$	$\frac{3}{4}$
Net income	23.7	4.6	28.3
Less: Net (income)/loss attributable to noncontrolling interests, net of tax	0.6	(1.5)	(0.9)
Net income attributable to Sonoco	\$23.1	\$ 6.1	\$29.2
Per common share	\$0.23	\$ 0.06	\$0.29

**Table of Contents****SONOCO PRODUCTS COMPANY*****RESULTS OF OPERATIONS***

The following discussion provides a review of results for the three months ended March 28, 2010 versus the three months ended March 29, 2009.

***OVERVIEW***

Net sales for the first quarter were \$935 million, compared with \$801 million in the same period in 2009. The 17% increase during the quarter was due to improved companywide volumes, a \$37 million favorable impact of foreign currency exchange and higher selling prices. The higher selling prices were driven by the impact of external sales of recovered paper at significantly higher old corrugated containers (OCC) prices. Gross profit margins for the first quarter increased to 18.8% compared to last year's 17.6%. Margins were favorably impacted by higher volume, as well as productivity initiatives, decreased pension expenses and cost containment actions. Net income attributable to Sonoco for the first quarter of 2010 was \$48.6 million compared to \$23.1 million reported for the same period of 2009. 2010 earnings include \$2.4 million after-tax restructuring charges, while 2009 results were impacted by after-tax restructuring charges of \$6.1 million. First quarter 2010 base net income attributable to Sonoco (Base earnings) was \$51.0 million (\$.50 per diluted share) versus \$29.2 million (\$.29 per diluted share) in 2009.

While the Company experienced volume increases from the previous year, they were most notable in those businesses serving industrial markets. These markets were hit particularly hard by the recession, but generally improving global economic conditions spurred year-over-year volume growth. However, the benefits of higher volumes were muted by rising prices for OCC, which have approximately doubled since December. For the majority of its tube and core and paperboard contracts, the Company can only reset sales prices at the beginning of each quarter, based on OCC prices at the end of the previous quarter. Due to the magnitude of the increase in OCC prices during the first quarter, the Company experienced an unfavorable price/cost relationship. This negative impact was more than offset with the volume growth, strong productivity and reduced operating costs.

***OPERATING REVENUE***

Net sales for the first quarter of 2010 were \$935 million, compared to \$801 million for the first quarter of 2009, an increase of \$134 million.

The components of the sales change were:

*(\$ in millions)*

Volume/Mix	\$ 71
Foreign Currency Translation	37
Selling Prices	17
Other	9
 Total Sales Increase	 \$134

Volume/mix accounted for a 9% increase in sales from 2009 levels as each of the Company's reporting segments experienced volume improvements across most geographic regions, with the greatest volume increases occurring in businesses serving industrial markets, which tend to be more economically sensitive and were most severely impacted during the recession. The selling prices for recovered paper increased in response to the significant increase in OCC prices. Without this favorable impact, overall selling prices would have trended downwards, primarily in the Consumer Packaging segment and All Other Sonoco. A weaker dollar, relative to last year's first quarter levels, also contributed significantly to the sales increase. The second quarter is expected to show a greater benefit in selling prices from the rise in OCC, as the impact becomes more widely reflected in the selling price of the Company's products, primarily tubes and cores and paperboard.

***COSTS AND EXPENSES***

Cost of sales in the first quarter of 2010 was higher year over year primarily due to the increases in volume discussed above. A partial recovery in the value of pension plan assets during 2009, and the impact of the \$100 million

voluntary contribution to the U.S. qualified pension plan in December 2009, will result in lower year over year pension and retirement expenses. These expenses showed an \$8.7 million improvement in the first quarter, most of which is reflected in cost of sales. Significantly higher prices paid for recovered paper increased costs in our converted paper operations, while higher resin costs negatively impacted results in the plastics operations. The combination of

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productivity initiatives, cost containment activities and volume-driven manufacturing efficiencies were able to more than offset the material cost increases.

Selling, general and administrative costs were higher primarily due to higher incentive compensation expenses, reflecting the improvements in expectations for current year operating results versus the same period last year.

Restructuring and restructuring-related asset impairment charges totaled \$3.9 million and \$7.2 million for the first quarters of 2010 and 2009, respectively. Additional information regarding restructuring actions and impairments is provided in Note 3 to the Company's Condensed Consolidated Financial Statements.

Net interest expense for the first quarter of 2010 decreased to \$8.4 million, compared with \$9.6 million during the same period in 2009. The decrease was due to lower debt levels and lower interest rates.

This year's first quarter effective tax rate of 29.6% was lower than the 32.5% rate recorded in the 2009 quarter. The lower tax rate was primarily due to an increase in the U.S. federal manufacturing deduction. This was also the primary factor in the effective tax rate on base earnings dropping from 33.2% in the first quarter of 2009 to 30.4% in 2010.

The Company has operations in Venezuela, that beginning January 1, 2010, are accounted for as hyperinflationary.

These operations have annual sales of approximately \$8 million and net assets of approximately \$2 million. The change to hyperinflationary accounting did not have a significant effect on the Company's financial statements during the quarter.

**REPORTABLE SEGMENTS**

The following table recaps net sales for the first quarter of 2010 and 2009 (\$ in thousands):

	<b>Three Months Ended</b>		<b>% Change</b>
	<b>March 28, 2010</b>	<b>March 29, 2009</b>	
Net sales:			
Consumer Packaging	\$ 381,633	\$ 354,908	7.5%
Tubes and Cores/ Paper	369,874	288,340	28.3%
Packaging Services	111,913	92,861	20.5%
All Other Sonoco	71,713	64,520	11.1%
Consolidated	\$ 935,133	\$ 800,629	16.8%

Consolidated operating profits, also referred to as Income before income taxes on the Company's Condensed Consolidated Statements of Income, are comprised of the following (\$ in thousands):

	<b>Three Months Ended</b>		<b>% Change</b>
	<b>March 28, 2010</b>	<b>March 29, 2009</b>	
Income before income taxes:			
Segment operating profit			
Consumer Packaging	\$ 45,656	\$ 39,377	15.9%
Tubes and Cores/ Paper	21,503	6,746	218.8%
Packaging Services	5,079	655	675.5%
All Other Sonoco	7,384	5,136	43.8%
Restructuring/Asset impairment charges	(3,947)	(7,210)	
Interest, net	(8,437)	(9,631)	12.4%
Consolidated	\$ 67,238	\$ 35,073	91.7%

Segment results are used by Company management to evaluate segment performance and do not include restructuring/asset impairments charges or net interest charges. Accordingly, the term segment operating profit is defined as the segment's portion of Income before income taxes excluding those items. All other general corporate expenses have been allocated as operating costs to each of the Company's reportable segments and All Other Sonoco.

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**SONOCO PRODUCTS COMPANY**

**Consumer Packaging**

Sonoco's Consumer Packaging segment includes the following products: round and shaped rigid packaging (both composite and plastic); printed flexible packaging; metal and peelable membrane ends and closures and brand artwork management.

Prior year results have been restated for a reclassification between segments of a small global brand artwork management business that was previously included in the Packaging Services segment. The impact of this reclassification on 2009 results was to transfer \$3.0 million of sales, with negligible profits into the Consumer Packaging segment.

First quarter 2010 sales for the segment were \$382 million, compared with \$355 million in the same period in 2009. Of the 7.5% increase in sales, 5.4% was due to increased volume, with rigid plastic containers, composite cans, closures and to a lesser extent, flexible packaging showing improvement. In addition, the favorable impact of foreign currency translation increased sales by approximately \$14 million, but was partially offset by lower selling prices, primarily of flexible packaging and closures.

Segment operating profit increased 15.9%, benefiting from productivity improvements and volume growth. Partially offsetting these favorable factors were higher raw material and labor costs and lower selling prices.

**Tubes and Cores/Paper**

The Tubes and Cores/Paper segment includes the following products: high-performance paper and composite paperboard tubes and cores; fiber-based construction tubes and forms; recycled paperboard, linerboard, corrugating medium, recovered paper and other recycled materials.

First quarter 2010 sales for the segment were \$370 million, compared with \$288 million in the same period in 2009. The 28.3% increase in segment sales was due to a nearly 12% improvement in volume of global industrial converted products and North American paperboard along with the favorable impact of foreign currency translation. OCC prices increased significantly during the quarter which had a favorable impact on the selling price of recovered paper sold externally. The sales increase in the first quarter of 2010 included \$13 million of corrugating sales previously produced under a cost plus fixed management fee arrangement.

Operating profit for this segment was \$21.5 million, compared with \$6.7 million in 2009. This significant improvement during the quarter was due to volume growth and productivity improvements. These favorable factors more than offset an unfavorable price/cost relationship.

**Packaging Services**

The Packaging Services segment includes the following products and services: designing, manufacturing, assembling, packing and distributing temporary, semipermanent and permanent point-of-purchase displays; and supply chain management services, including contract packing, fulfillment and scalable service centers.

First quarter 2010 sales for this segment were \$112 million, compared with \$93 million in the same period in 2009. This 20.5% gain in sales was due primarily to improved volume in the contract packaging and fulfillment businesses along with a \$4 million favorable impact of foreign currency translation.

As previously reported, the Company expects to lose approximately \$45 million of annualized sales volume by the second half of 2010 resulting from bidding activity conducted by a major customer in the fourth quarter of 2009. Further, another of the segment's customers notified the Company in late 2009 of its intention to consolidate its business with another vendor by 2012 representing a potential annual sales reduction of \$35 million. Due to anticipated growth from new business, including already announced additions in Poland, Mexico and the United States, management does not expect the loss of business from these customers to have a material adverse effect on the segment's operating results over the long term.

Segment operating profit was \$5.1 million, compared with \$0.7 million in 2009, primarily as a result of volume improvements. While management expects business in this segment to remain relatively strong for the remainder of the year, it is not expected to continue at first quarter levels.



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**SONOCO PRODUCTS COMPANY**

**All Other Sonoco**

All Other Sonoco includes businesses that are not aggregated in a reportable segment and includes the following products: wooden, metal and composite wire and cable reels, molded and extruded plastics, custom-designed protective packaging and paper amenities such as coasters and glass covers.

First quarter 2010 sales in All Other Sonoco increased 11.1%, to \$72 million, compared with \$65 million reported in the same period in 2009. This increase was driven primarily by volume gains in molded plastics and protective packaging. These gains were partially offset by volume and sales price declines in wire and cable reels.

Operating profit for the quarter was \$7.4 million, compared with \$5.1 million in 2009. This increase was due to productivity improvements and volume growth, which more than offset lower sales prices, particularly in wire and cable reels.

**Financial Position, Liquidity and Capital Resources**

The Company's financial position remained strong during the first quarter of 2010. Cash flows from operations totaled \$73.8 million in the first three months of 2010, compared with \$75.5 million in the same period last year. Although year-over-year earnings were higher, the impact on operating cash flow was offset by increases in net working capital driven by higher levels of business activity. Operating cash flows are expected to remain strong during the remainder of 2010.

During the first three months of 2010, the Company utilized cash from operations to fund capital expenditures of \$28.5 million, pay dividends of \$27.1 million, and reduce outstanding debt by a net \$4.3 million to \$578.1 million at March 28, 2010. Cash and cash equivalents increased from \$185.2 million at December 31, 2009, to \$188.2 million at March 28, 2010.

At March 28, 2010, no borrowings were outstanding under the Company's \$500 million commercial paper program. The commercial paper program is fully supported by a bank credit facility provided by a syndicate of banks that is committed until May 2011.

The Company's \$100 million, 6.75% debenture becomes due in November 2010. The Company expects to be able to satisfy this obligation using cash generated from operations during 2010 or through refinancing with existing available credit.

Certain of the Company's debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenant currently requires the Company to maintain a minimum level of net worth, as defined. As of March 28, 2010, the Company's defined net worth was approximately \$457 million above the minimum level required under this covenant.

The Company anticipates that contributions to its defined benefit plans will total approximately \$24 million during 2010. No contributions to the Company's U.S. qualified defined benefit pension plan are required in 2010 due to the \$100 million voluntary contribution made in December 2009 and the Company's ability to utilize funding credits from having previously funded the plan in excess of minimum requirements. Funding of the U.S. qualified defined benefit pension plan is not expected to be required until 2013; however, future funding requirements will depend largely on actual investment returns and future actuarial assumptions.

Certain assets and liabilities are reported in the Company's financial statements at fair value, the fluctuation of which can impact the Company's financial position and results of operations. Items reported by the Company on a recurring

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basis at fair value include derivative contracts and pension and deferred compensation related assets. The valuation of the vast majority of these items is based either on quoted prices in active and accessible markets or on other observable inputs.

At March 28, 2010, the Company had commodity contracts outstanding to fix the cost of a portion of anticipated raw materials and natural gas purchases. The total net fair market value of these instruments was an unfavorable position of \$14.9 million at March 28, 2010, and an unfavorable position of \$8.3 million at December 31, 2009. Natural gas and aluminum contracts covering an equivalent of 6.7 million MMBtus and 2,843 metric tons, respectively, were outstanding at March 28, 2010. Additionally, the Company had various currency contracts outstanding to fix the exchange rate on certain anticipated foreign currency cash flows. The total market value of these instruments was a net favorable position of \$2.3 million at March 28, 2010 compared with a net favorable position of \$0.7 million at December 31, 2009. These contracts qualify as cash flow hedges and mature within twelve months of their respective reporting date. Also, the Company has an interest rate derivative to swap \$150 million notional value of its 6.5% debentures due November 2013 to a floating rate. At March 28, 2010, this fair value hedge was in a favorable position of \$1.4 million compared with an unfavorable position of \$0.6 million at December 31, 2009.

In addition, at March 28, 2010, the Company had various currency contracts outstanding to fix the exchange rate on certain foreign currency assets and liabilities. Although placed as an economic hedge, the Company does not apply hedge accounting to these contracts. The fair value of these currency contracts, all of which mature within twelve months, was a net favorable position of \$1.0 million at the end of the quarter and \$0.8 million at December 31, 2009.

**Restructuring and Impairment**

Information regarding restructuring charges and restructuring-related asset impairment charges is provided in Note 3 to the Company's Condensed Consolidated Financial Statements.

**New Accounting Pronouncements**

Information regarding new accounting pronouncements is provided in Note 11 to the Company's Condensed Consolidated Financial Statements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Information about the Company's exposure to market risk is discussed under Part I, Item 2 in this report and was disclosed in its Annual Report on Form 10-K for the year ended December 31, 2009, which was filed with the Securities and Exchange Commission on February 26, 2010. There have been no other material quantitative or qualitative changes in market risk exposure since the date of that filing.

**Item 4. Controls and Procedures.****Evaluation of Disclosure Controls and Procedures**

Under the supervision, and with the participation, of our management, including our principal executive officer and principal financial officer, we conducted an evaluation pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934 of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that such controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q, were effective.

**Changes in Internal Controls**

The Company is continuously seeking to improve the efficiency and effectiveness of its operations and of its internal controls. This results in refinements to processes throughout the Company. However, there has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION****Item 1. Legal Proceedings.**

Information with respect to legal proceedings and other exposures appears in Part I Item 3 Legal Proceedings and Part II Item 8 Financial Statements and Supplementary Data (Note 14 - Commitments and Contingencies ) in the Company's Annual Report on Form 10-K for the year ended December 31, 2009, and in Part I Item 1 Financial Statements (Note 13 Commitments and Contingencies ) of this report.

In April 2006, the United States and the State of Wisconsin (plaintiffs) sued U.S. Paper Mills Corp. (U.S. Mills), a wholly owned subsidiary of the Company, and NCR Corporation (NCR), an unrelated company, to recover certain costs incurred for response activities undertaken regarding the release and threatened release of hazardous substances in specific areas of elevated concentrations of polychlorinated biphenyls (PCBs) in sediments in the Lower Fox River and Green Bay in northeastern Wisconsin (hereinafter the Site). Pursuant to a Consent Decree agreed to by NCR and U.S. Mills as a consequence of the litigation, the Site is to be cleaned up on an expedited basis and NCR and U.S. Mills started removing contaminated sediment in May 2007. The remediation involves removal of sediment from the riverbed, dewatering of the sediment and storage at an offsite landfill. U.S. Mills and NCR reached an agreement between themselves that each would fund 50% of the costs of remediation, which the Company currently estimates may be between \$32.7 million and \$38.7 million for the project as a whole. The actual costs associated with cleanup of this particular site are dependent upon many factors and it is possible that remediation costs could be higher or lower than the current estimate of project costs. Under the terms of the agreement, the parties reserved their rights to make claims against each other, as well as third parties, to reallocate the costs of remediating the Site. Accordingly, the Company's ultimate share of the liability for remediating the Site could be greater or less than 50% of the total cost.

In addition to the Site discussed above, as previously disclosed in its Annual Report on Form 10-K for the year ended December 31, 2009, U.S. Mills faces additional exposure related to potential natural resource damage and environmental remediation costs for a larger stretch of the lower Fox River, including the bay at Green Bay, which includes the Site discussed above (Operating Units 2-5). On November 13, 2007, the EPA issued a unilateral Administrative Order for Remedial Action pursuant to Section 106 of CERCLA. The order requires U.S. Mills and the seven other respondents jointly to take various actions to cleanup OUs 2-5. The order covers planning and design work as well as dredging and disposing of contaminated sediments and the capping of dredged and less contaminated areas of the river bottom. The order also provides for a penalty for failure by a respondent to comply with its terms as well as exposing a non-complying respondent to potential treble damages. Although U.S. Mills has reserved its rights to contest liability for any portion of the work, it is cooperating with the other respondents to comply with the order, but its financial contribution will likely be determined by the lawsuit commenced in June 2008 and discussed below. On June 12, 2008, NCR and Appleton Papers, Inc. (API), as plaintiffs, commenced suit in the United States District Court for the Eastern District of Wisconsin (No. 08-CV-0016-WCG) against U.S. Mills, as one of a number of defendants, seeking a declaratory judgment allocating among all the parties the costs and damages associated with the pollution and clean up of the Lower Fox River. The suit also seeks damages from the defendants for amounts already spent by the plaintiffs, including natural resource damages, and future amounts to be spent by all parties with regard to the pollution and cleanup of the Lower Fox River. On December 16, 2009, the court issued an order which concluded that, under the equities of the case, NCR and API were not entitled to any contributions from U.S. Mills and other defendants, thereby granting the defendant's motions for summary judgment and denying the plaintiffs' motions for summary judgment. Although an order has been issued by the court, no appealable final judgment has been entered yet; nevertheless, NCR has reported that it intends to appeal the ruling, presumably after entry of the final judgment. U.S. Mills plans to defend the suit vigorously.

As of March 28, 2010, U.S. Mills had reserves totaling \$56.8 million for potential liabilities associated with the Fox River contamination (not including amounts accrued for remediation at the Site). Although the Company lacks a reasonable basis for identifying any amount within the range of possible loss as a better estimate than any other amount, as has previously been disclosed, the upper end of the range may exceed the net worth of U.S. Mills.

However, because the discharges of hazardous materials into the environment occurred before the Company acquired U.S. Mills, and U.S. Mills has been operated as a separate subsidiary of the Company, the Company does not believe that it bears financial responsibility for these legacy environmental liabilities of U.S. Mills. Therefore, the Company

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continues to believe that the maximum additional exposure to its consolidated financial position is limited to the equity position of U.S. Mills, which was approximately \$80 million at March 28, 2010.

On July 7, 2008, the Company was served with a complaint filed in the United States District Court for South Carolina by the City of Ann Arbor Employees Retirement System, individually and on behalf of others similarly situated. The suit purports to be a class action on behalf of those who purchased the Company's common stock between February 7, 2007 and September 18, 2007, except officers and directors of the Company. The complaint, as amended, alleges that the Company issued press releases and made public statements during the class period that were materially false and misleading. The complaint also names certain Company officers as defendants and seeks an unspecified amount of damages plus interest and attorneys' fees. The Company believes that the claims are without merit and intends to vigorously defend itself against the suit.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds****ISSUER PURCHASES OF EQUITY SECURITIES**

Period	(a) Total Number of Shares Purchased <sup>1</sup>	(b) Average Price Paid per Share	(c) Total	(d) Maximum
			Number of Shares Purchased as Part of Publicly Announced Plans or Programs <sup>2</sup>	Number of Shares that May Yet be Purchased under the Plans or Programs <sup>2</sup>
1/01/10 1/31/10	425	\$ 29.45		5,000,000
2/01/10 2/28/10	2,061	\$ 29.32		5,000,000
3/01/10 3/28/10	1,192	\$ 31.02		5,000,000
Total	3,678	\$ 29.89		5,000,000

<sup>1</sup> All of the share purchases in the first quarter of 2010 relate to shares withheld to satisfy employee tax withholding obligations in association with the exercise of performance-based stock awards, deferred compensation and restricted stock. These shares were not repurchased as part of a publicly announced plan or program.

<sup>2</sup> On April 19, 2006, the Company's Board of Directors authorized the repurchase of up to 5,000,000 shares of the Company's common stock. This authorization rescinded all previous existing authorizations and does not have a specific expiration date. No shares have been repurchased under this authorization during 2010. At March 28, 2010, a total of 5,000,000 shares remain available for repurchase.

**Item 6. Exhibits.**

- Exhibit 15 Letter re: unaudited interim financial information
- Exhibit 31 Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(a)
- Exhibit 32 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(b)

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**SONOCO PRODUCTS COMPANY**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**SONOCO PRODUCTS COMPANY**  
(Registrant)

Date: April 28, 2010

By: /s/ Charles J. Hupfer  
Charles J. Hupfer  
Senior Vice President and Chief  
Financial Officer  
(principal financial officer)

By: /s/ Barry L. Saunders  
Barry L. Saunders  
Vice President and Corporate Controller  
(principal accounting officer)

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**SONOCO PRODUCTS COMPANY  
EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
15	Letter re: unaudited interim financial information
31	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(a)
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and 17 C.F.R. 240.13a-14(b)