



Insiders Find Chiquita Stock Appealing

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WASHINGTON—In a word-association game regarding Chiquita Brands International Inc., a casual observer might come up with three words: bananas, bankruptcy and bookkeeping.

Add another word: Buying.

This month, a year after the Cincinnati-based producer and distributor of fruits and vegetables emerged from bankruptcy proceedings—and shortly after the company successfully concluded



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discussions with regulators about an accounting issue—six company insiders bought nearly \$800,000 in Chiquita stock for an average price of \$11.41 a share.

“This looks like value buying,” said George Muzea, the president of Muzea Insider Consulting Services.

Mr. Muzea, who recently published a book on insider trends, differentiates between “value buying,” which is based on a perceived low stock price, and “catalytic buying,” which foreshadows some specific, important event.

“Catalytic buying tends to be more aggressive—larger positions,” said Mr. Muzea. “This buying looks more like the buying associated with ... valuation.”

Jonathan Moreland, director of research for Insiderinsights.com, said he doesn't plan to emulate the Chiquita insiders. In Chiquita's case, he said, he respects the brand—“Everyone knows Chiquita bananas,” he says—but food companies have low margins that are vulnerable to unpredictable events.

“I'm not into these low-margin businesses as much,” said Mr. Moreland.

Michael Painchaud, research director for Market Profile Theorems, said that although the current purchases are the first ones since Chiquita emerged from bankruptcy in March 2002, company insiders were buyers before the bankruptcy filing. Such poorly timed purchases weaken the signal sent from the current buying, Mr. Painchaud said.

Chiquita's Michael Mitchell said company insiders have wanted to buy since the fall. Chairman and Chief Executive Cyrus F. Freidheim has said as much.

What Mr. Freidheim couldn't tell investors is that insiders were prohibited from buying stock because the company was looking to sell its Chiquita Processed Foods division, Mr. Mitchell said. Ultimately, Seneca Foods Corp. agreed to buy the division, and the deal's announcement after the market close on

March 6 sent Chiquita stock up 22% to \$10.90 a share. Chiquita stood yesterday in 4 p.m. New York Stock Exchange composite trading at \$11.82, down 27 cents.

Mr. Mitchell said discussions with the Securities and Exchange Commission

about the timing of noncash write-down have been satisfactorily resolved without any restatement. Chiquita reported the SEC discussions in a press release on March 14 “as a matter of transparency and full disclosure,” Mr. Mitchell said.