

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2009

Commission File Number 0-19047

FOOD TECHNOLOGY SERVICE, INC.
(Exact Name of Registrant as Specified in its charter)

FLORIDA 59-2618503
(State of Incorporation or Organization) (Employer Identification Number)

502 Prairie Mine Road, Mulberry, FL 33860
(Address of Principal Executive offices)(Zip code)

Registrants telephone number, including area code (863) 425-0039

Indicate by check mark whether the Registrant: (1) has filed all by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer
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, as of the last practicable date.

Class	September 30, 2009
-----	-----
Common Stock \$.01 Par Value	2,756,458 shares

FOOD TECHNOLOGY SERVICE, INC.
BALANCE SHEETS

	SEPTEMBER 30, 2009	DECEMBER 31, 2008
ASSETS	----	----
-----	(unaudited)	
Current Assets:		
Cash	\$ 848,764	\$ 216,978
Accounts Receivable Less Allowance For Doubtful Accounts of \$2,500 in 2009 and 2008	211,843	268,305
Prepaid Expenses	37,753	33,329
Deferred Income Tax	122,000	151,000
	-----	-----
Total Current Assets	1,220,360	669,612
	-----	-----
Property and Equipment:		
Cobalt	4,404,543	4,404,543
Furniture and Equipment	1,922,273	1,899,887
Building	3,282,029	3,282,029
Less Accumulated Depreciation	(5,912,215)	(5,619,783)
	-----	-----
Total	3,696,630	3,966,676
	-----	-----
Land	171,654	171,654
	-----	-----
Total Property and Equipment	3,868,284	4,138,330
	-----	-----
Other Assets:		
Deposits	5,000	5,000
Deferred Income Tax	1,334,000	1,024,000
	-----	-----
Total Other Assets	1,339,000	1,029,000
	-----	-----
Total Assets	\$ 6,427,644	\$ 5,836,942
	=====	=====

The accompanying notes are an integral part of these financial statements

FOOD TECHNOLOGY SERVICE, INC.
BALANCE SHEETS

	SEPTEMBER 30, 2009	DECEMBER 31, 2008
LIABILITIES AND STOCKHOLDERS' EQUITY		
-----	-----	-----
	(unaudited)	
Current Liabilities:		
Accounts Payable and Accrued Liabilities	\$ 87,772	\$ 31,295
Financing Agreement and Debenture Payable	447,565	628,629
	-----	-----
Total Current Liabilities	535,337	659,924
	-----	-----
Stockholders' Equity:		
Common Stock \$.01 par value, 5,000,000 shares authorized, 2,756,458 shares issued and outstanding on September 30, 2009 and December 31, 2008	27,564	27,564
Paid in Capital	12,171,444	12,147,444
Deficit	(6,288,210)	(6,979,499)
Treasury Stock, 5,155 shares at cost	(18,491)	(18,491)
	-----	-----
Total Stockholders' Equity	5,892,307	5,177,018
	-----	-----
Total Liabilities and Stockholders' Equity	\$ 6,427,644	\$ 5,836,942
	=====	=====

The accompanying notes are an integral part of these financial statements

FOOD TECHNOLOGY SERVICE, INC.
STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

	2009 ---- (unaudited)	2008 ---- (unaudited)
Net Sales	\$ 547,685	\$ 683,409
Processing Costs	154,878	128,190
	-----	-----
Income from Operations	392,807	555,219
General Administrative and Development	229,488	249,950
Depreciation and Amortization	95,370	102,765
Interest Expense	5,458	15,645
	-----	-----
Income Before Income Taxes	62,491	186,859
Income Taxes Expense (Benefit)		
Current	23,747	71,006
Deferred	(281,000)	-
	-----	-----
Income (Loss) before Benefit of Tax Loss Carryovers	319,744	115,853
Benefit of Tax Loss Carryovers	23,747	71,006
	-----	-----
Net Income	\$ 343,491	\$186,859
	=====	=====
Net Income per Common Share		
-Basic	\$ 0.125	\$ 0.068
-Diluted	\$ 0.123	\$ 0.068
Weighted average number of common shares used in computation		
-Basic	2,756,458	2,756,458
-Diluted	2,827,958	2,756,458

The accompanying notes are an integral part of these financial statements

FOOD TECHNOLOGY SERVICE, INC.
STATEMENTS OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009 AND 2008

	2009 ---- (unaudited)	2008 ---- (unaudited)
Net Sales	\$1,875,239	\$1,865,344
Processing Costs	389,136	400,309
	-----	-----
Income from Operations	1,486,103	1,465,035
General Administrative and Development	764,447	735,149
Depreciation and Amortization	292,432	282,475
Interest Expense	18,935	54,224
	-----	-----
Income Before Income Taxes	410,289	393,187
Income Taxes Expense (Benefit)		
Current	155,910	149,411
Deferred	(281,000)	-
	-----	-----
Income (Loss) before Benefit of Tax Loss Carryovers	535,379	243,776
Benefit of Tax Loss Carryovers	155,910	149,411
	-----	-----
Net Income	\$ 691,289	\$ 393,187
	=====	=====
Net Income per Common Share		
-Basic	\$ 0.251	\$ 0.143
-Diluted	\$ 0.244	\$ 0.143
Weighted average number of common shares used in computation		
-Basic	2,756,458	2,756,458
-Diluted	2,827,958	2,756,458

The accompanying notes are an integral part of these financial statements

FOOD TECHNOLOGY SERVICE, INC.
STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	----- (unaudited)	----- (unaudited)
Cash Flows from Operations:		
Sales Income Received	\$ 1,931,701	\$ 1,927,486
Interest Received	3,729	450
Interest Paid	(18,935)	(13,448)
Cash Paid for Operating Expenses	(1,081,259)	(1,120,106)
	-----	-----
	835,236	794,382
Cash Flows from Investing:		
Property & Equipment Purchase	(22,386)	(580,394)
	-----	-----
	(22,386)	(580,394)
Cash Flows from Financing Activities:		
Repayment on Note Payable	-	(244,714)
Repayment on Financing Agreement and Debenture Payable	(181,064)	(50,000)
	-----	-----
	(181,064)	(294,714)
	-----	-----
Net Increase (Decrease) in Cash	631,786	(80,726)
Cash at Beginning of Period	216,978	257,286
	-----	-----
Cash at End of Period	\$ 848,764	\$ 176,560
	=====	=====
<hr/>		
Reconciliation of Net Income to Net Cash Provided by Operations		
Net Income	\$691,289	\$ 393,187
Adjustments to Reconcile Net Income to Cash Provided by Operations:		
Depreciation	290,116	282,475
Amortization	2,316	1,714
Accrued Interest	-	40,776
Deferred Income Taxes	(281,000)	-
(Increase) Decrease in Receivables	56,462	62,142
(Increase) Decrease in Prepaids	(4,424)	(12,387)
Increase (Decrease) in Payables and Accruals	80,477	26,475
	-----	-----
Net Cash Provided by Operating Activities	\$ 835,236	\$ 794,382
	=====	=====

The accompanying notes are an integral part of these financial statements

FOOD TECHNOLOGY SERVICE, INC.

NOTE 1: BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting solely of normally recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period.

The results of operations for the three month period ended September 30, 2009 are not necessarily indicative of the results to be expected for the full year.

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 2: RECENT ACCOUNTING PRONOUNCEMENTS

Adoption of New Accounting Standards

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 168, "The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles - a Replacement of FASB Statement No. 162" ("The Codification"). The Codification reorganized existing U.S. accounting and reporting standards issued by the FASB and other related accounting private sector standard setters into a single source of authoritative accounting principles arranged by topic. The Codification supersedes all existing U.S. accounting standards; all other accounting literature not included in the Codification (other than Securities and Exchange Commission guidance for publicly-traded companies) is considered non-authoritative. The Codification was effective on a prospective basis for interim and annual reporting periods ending after September 15, 2009. The adoption of the Codification changed the Company's references to U.S. GAAP accounting standards but did not impact the Company's financial statements.

NOTE 3: USE OF ESTIMATES

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

FOOD TECHNOLOGY SERVICE, INC.

NOTE 4: INCOME TAXES

The Company has unused operating loss carry forwards available at December 31, 2008 of \$7,469,011.

Deferred income taxes reflect the estimated tax effect of temporary differences between assets and liabilities for financial reporting purposes and those amounts as measured by tax laws and net operating losses.

A valuation allowance has been established to eliminate the net deferred tax benefit due to uncertainty as to whether the tax benefits would ever be realized. During the third quarter, as a result of the continuing diversification and growth in customer base, ongoing profits from operations and the Company's revised estimate of future taxable income, it was concluded that it is more likely than not that future taxable income will be sufficient to realize a larger portion of the Company's deferred asset. Accordingly, \$281,000 of the valuation allowance was reversed as a credit to income tax expense during 2009.

The Company believes that its estimate of future operations is conservative and reasonable, but inherently uncertain. Accordingly, if future operations generate taxable income greater than the projections, further adjustments to reduce the reserve are possible. Conversely, if the Company realizes unforeseen material losses in the future and its future projections of income decrease, the reserve could be increased resulting in a charge to income.

NOTE 5: EARNINGS PER SHARE

Earnings per share is calculated in accordance with ASC 260-10, "Earnings Per Share". Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the years. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted into common shares. Common share equivalents are excluded from the computation of diluted earnings per share if their effects would be anti-dilutive.

ASC 260-10 requires the presentation of both Basic EPS and Diluted EPS on the face of the Company's Statements of Operations.

FOOD TECHNOLOGY SERVICE, INC.

NOTE 5: EARNINGS PER SHARE (continued)

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

	Three Months Ended September 30, 2009	Three Months Ended September 30, 2008
	-----	-----
Numerator:		
Net Income	\$ 343,491	\$ 186,859
	=====	=====
Denominator:		
Weighted average common shares outstanding	2,756,458	2,756,458
Dilutive effect of stock options	71,500	-
	-----	-----
Weighted average common shares outstanding, assuming dilution	2,827,958	2,756,458
	=====	=====
	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	-----	-----
Numerator:		
Net Income	\$ 691,289	\$ 393,187
	=====	=====
Denominator:		
Weighted average common shares outstanding	2,756,458	2,756,458
Dilutive effect of stock options	71,500	-
	-----	-----
Weighted average common shares outstanding, assuming dilution	2,827,958	2,756,458
	=====	=====

FOOD TECHNOLOGY SERVICE, INC.

NOTE 5: EARNINGS PER SHARE (continued)

Potential common shares from out of the money options were excluded from the computation of diluted EPS because calculation of the associated potential common shares has an anti-dilutive effect on EPS. The following table lists options that were excluded from EPS.

	Three Months ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Out of the money options excluded:				
Stock option with an exercise price of \$4.96	-	1,500	-	1,500
Stock option with an exercise price of \$4.56	2,500	2,500	2,500	2,500
Stock option with an exercise price of \$4.12	7,000	7,000	7,000	7,000
Stock option with an exercise price of \$3.56	2,250	2,250	2,250	2,250
Stock option with an exercise price of \$3.36	2,500	2,500	2,500	2,500
Stock option with an exercise price of \$3.28	10,000	10,000	10,000	10,000
Stock option with an exercise price of \$3.24	100,000	100,000	100,000	100,000
Stock option with an exercise price of \$2.52	10,000	10,000	10,000	10,000
Stock option with an exercise price of \$2.57	20,000	20,000	20,000	20,000
Stock option with an exercise price of \$2.18	11,500	11,500	11,500	11,500
	-----	-----	-----	-----
	165,750	167,250	165,750	167,250
	-----	-----	-----	-----

Management's Analysis of Quarterly Income Statements Operations

Food Technology Service, Inc. had revenues of \$547,685 during the third quarter of 2009 compared to revenues of \$683,409 for the same period in 2008. This is a decrease of approximately 19.9 percent. Management attributes the decrease in revenue in the third quarter of 2009 to the loss of a large customer. As previously reported, the customer, responsible for approximately 25% of our revenue for the year ended December 31, 2008, was acquired by a third party and their operations were moved to the Southwest United States at the end of the first quarter of 2009. This decrease in revenue during the third quarter had little effect on revenue for the nine months ended September 30, 2009 due to a settlement fee of \$85,229 received in the second quarter for termination of a warehouse lease by the lost customer. For the first three quarters of 2009, the Company had revenues of \$1,875,239 which is comparable to revenues of \$1,865,344 for the first three quarters of 2008.

The Company periodically evaluates the value of tax-loss carry-forward credits on its financial statements as required by Generally Accepted Accounting Principles. During the third quarter of 2009, as a result of the operations and the Company's revised estimate of future taxable income, it was concluded that it is more likely than not that future taxable income will be sufficient to realize a larger portion of the Company's deferred asset. Accordingly, \$281,000 of the reserve was reversed as a credit to income taxes during 2009. To facilitate comparison to the same period in 2008, profit for the third quarter of 2009 and the first three quarters of 2009 is being expressed as net income (with increased tax credit benefit) and income before taxes (without increased tax credit benefit).

The Company had net income (with increased tax credit benefit) during the third quarter of 2009 of \$343,491 and income before taxes (without increased tax credit benefit) during the third quarter of 2009 of \$62,491. These figures compare to \$186,859 during the third quarter of 2008 and represent a decrease in income before taxes of about 66 percent and an increase in net income of about 84 percent. For the first three quarters of 2009, the Company had income before taxes of \$410,289 and net income of \$621,289. For the first three quarters of 2008, the Company had net income of \$393,187. Income before taxes for the first three quarters of 2009 increased by about 4 percent compared to the first three quarters of 2008. Net income for the first three quarters of 2009 increased approximately 58% over the same period in 2008. Earnings per share for the first three quarters of 2009 were \$0.251 compared to \$0.143 for the same period in 2008.

During the third quarter of 2009 processing costs as a percentage of sales were 28.3 percent compared to 18.8 percent in the third quarter of 2008. This increase reflects the loss of a large customer and the fact that processing costs are relatively fixed. General administrative and development costs as a percentage of sales during the third quarter of 2009 were 41.9 percent compared to 35.4 percent in the third quarter of 2008. Again, the increase in general, administrative and development expenses as a percentage of sales reflects lower revenues and the fact that these costs are relatively fixed.

During the first three quarters of 2009, processing costs as a percentage of sales were 20.8 percent compared to 21.5 percent during the first three quarters of 2008. This slight decrease is attributed to in-house costs associated with the installation of Cobalt in June, 2008. The Company did not install Cobalt during the first three quarters of 2009. General, administrative and development costs as a percentage of sales were 40.8 percent during the first three quarters of 2009 compared to 39 percent during the same period in 2008. The increase in these costs is attributed to renovations made to the roof of the facility beginning in the second quarter of 2009.

During the third quarter of 2009, the Company made a payment of \$200,000 for debt owed to MDS Nordion. This reduced the Company's total debt at the end of the third quarter of 2009 to \$447,565. The Company has made further debt payment of \$225,000 during the fourth quarter of 2009.

Liquidity and Capital Resources

As of September 30, 2009, the Company has cash on hand of \$848,764 and accounts receivable of \$211,843.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

The company is not involved in any legal proceedings.

Item 2-6 Not applicable

SIGNATURES

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.

Date: November 13, 2009

FOOD TECHNOLOGY SERVICE, INC.

/S/ Richard Hunter

Richard Hunter, Ph.D., Chief Executive
Officer and Chief Financial Officer