



140 BROADWAY NEW YORK, NY 10005

ROBERT J. CUMMINS, CFA  
(212) 651-0815

TRADING DESK  
(212) 320-3001

JULY 16, 2008

## COMPANY SUMMARY

Wednesday, July 16, 2008

Speaker: Bob Cummins

**Rating: Strong Buy**

Food Industry Comment:

### ConAgra Foods (CAG-\$21)

	<u>F2007</u>	<u>F2008</u>	<u>F2009E</u>	<u>F2010E</u>	<u>Dividend/ Yield</u>	<u>Shares Out. (mil.)</u>	<u>12-Mo. Range</u>	<u>12-Mo. Target</u>
EPS (a)	\$1.06	\$1.10	\$1.60	\$1.85	\$0.76	453.3	\$27-\$19	\$29-\$30
P/E	-	-	13.1x	11.4x	3.6%			

(a) May fiscal years. Excludes nonrecurring gains and charges. Earnings based on continuing operations, excluding divested Trading and Merchandising business.

Since CEO Gary Rodkin joined ConAgra Foods from PepsiCo nearly three years ago with a mandate to strengthen the company's performance, he has faced a number of serious challenges, most notably escalating costs for food ingredients, packaging, energy and transportation that put severe pressure on profit margins in the Consumer Foods segment, the company's largest. Now, prospects have changed for the better. Price increases across 95% of its consumer lines in late March led to significantly improved profit margins in the May quarter, and will have a full impact in the current period, while management has vowed to implement further increases without delay when they are needed. In addition, the company recently sold its volatile commodity trading business for an attractive price of nearly \$2.8 billion, and is using the funds to repurchase shares and reduce debt. At 13.2-13.5 times management's F2009 EPS estimate of \$1.56-\$1.59 from continuing operations for the May 2009 fiscal year, which may be conservative, the shares trade well below the valuations of most other food stocks. We are reemphasizing our "1" (Strong Buy) rating on this promising company, and reiterating our 12-month price target of \$29-\$30.

(Continued)

**See page 10 for Analyst's Certification, pages 10-11 for Important Disclosures and pages 11-12 for Other Disclosures and Disclaimers**

(Continued)

In recent weeks, ConAgra made three major announcements that will have a significant impact on the company's ongoing prospects:

- On June 23<sup>rd</sup>, it announced the completion of the previously announced sale of its highly profitable but potentially volatile Trading and Merchandising business to an investor group for \$2.2 billion in cash and \$550 million of payment-in-kind debt securities with an average interest rate of 10.82%. Management also announced a \$500 million increase to CAG's existing share buyback program.
- On June 26<sup>th</sup>, it announced results for the May 2008 fiscal year that included strong year-to-year earnings progress in F4Q for the Food and Ingredients and International Foods segments, and significant sequential profit margin improvement for the largest segment, Consumer Foods, which has suffered due to commodity costs, but is now seeing the benefit of across-the-board price increases instituted in March.
- On July 1<sup>st</sup>, it announced the initiation of an accelerated share repurchase program to retire \$900 million worth of stock. Under separate agreements with Merrill Lynch and Bank of America, the company prepaid that amount on July 1<sup>st</sup>, and received an aggregate of 32,676,350 shares, or 6.7% of the total outstanding. It will receive the balance of the minimum number at the end of the hedging period, and will receive any additional repurchased shares by the fourth quarter of F2009. Based on the current price of \$21 per share, we calculate that the total number of shares repurchased, before allowing for expenses, would be about 43 million, or 9% of the total outstanding at the end of May, 2008. We expect that the balance of the after-tax proceeds will be used to reduce debt, especially commercial paper. The combination of fewer shares outstanding and reduced interest costs should be a significant offset to the absence of earnings from Trading and Merchandising.

ConAgra's **Consumer Foods** business, with annual sales of \$6.8 billion, based on continuing operations accounted for 59% of sales and segment profits in the past year. Although perhaps not as well known by consumers as some other prominent food companies, it markets a wide range of brand-name products that are literally household names, and are found in virtually every home in America. Table 3 lists some two dozen of the company's largest-selling product lines, ranging alphabetically from Banquet, Blue Bonnet and Chef Boyardee to VanCamp's and Wesson Oil.

Most of these brands have been on the market for many years, but they have been constantly revitalized through line extensions, flavor varieties, and marketing innovations. Periodically, the company has expanded its reach through a strategic acquisition, or conversely has sold a business that did not fit in, such as the recent sale of the Knott's Berry Farm jam and jelly

(Continued)

(Continued)

business to Smucker, which is a more logical owner of the brand. While many of CAG's brands are relatively mature, Consumer Foods sales over recent years have shown steady growth, most of it internal.

Historically, Consumer profits have also performed well, but more recently the escalating commodity price inflation that became evident in 2007 has taken its toll. The segment recorded healthy double-digit growth in operating income over the first nine months of F2007, but profits declined 23% in F4Q ended May, as the margin narrowed by 350 basis points to a historically low 11.5% of sales. That proved to be the first of five consecutive quarters of year-to-year earnings declines. For F2008 as a whole, Consumer Foods sales increased 5%, but operating profits declined 18%, to 12.1% of sales versus 15.4% a year earlier.

In retrospect, management was clearly too slow in recognizing the magnitude and sustainability of cost inflation and the need to raise prices to compensate. In that respect, CAG was not alone. Fortunately, forceful action has now been taken. The company raised prices on 95% of its products effective March 24<sup>th</sup>, which had a positive impact on revenues and profits in F4Q, and will have a full impact in the current period. Moreover, management has clearly stated that it does not intend to let pricing lag behind costs, and strongly hinted on the recent conference call that some further price increases are likely in the near future, particularly since inflation shows no signs of easing. We expect the Consumer Foods segment to show a substantial earnings increase in F2009, reversing the past year's disappointments.

By contrast, the company's other major business segment, and one that deserves more attention, **Food and Ingredients** (35% of sales, 36% of operating profit), had a highly successful year in F2008, with sales up 21% and profits 24%. This unit's largest component, accounting for more than half of its annual sales, is Lamb Weston, a leading processor and distributor of potato products for McDonald's and other restaurant chains around the world. Its other major subsidiaries are ConAgra Mills, one of the largest U.S. flour millers, and Gilroy Foods, which supplies seasonings and flavorings for food manufacturers. The strong results for Food and Ingredients in F2008 reflect a variety of factors, including growth in the markets it serves, a pass-through of higher wheat costs in the milling subsidiary, foreign exchange benefits from the weak dollar, and the acquisition of a small vegetable processor, Watts Brothers. Management appears optimistic about prospects for this segment in F2009.

Finally, **International Foods**, accounting for a modest 6% of sales and 5% of earnings, markets branded consumer products through retail channels outside the U.S., principally in Canada and Mexico. Sales increased 10% in F2008, but operating profit rose only 1%. However, that reflects weak results in the first two quarters, followed by a resumption of double-digit profit growth in F3Q and F4Q. With annual sales of \$678 million, this is a solid and growing business, but it does not appear that CAG has any plans to become a global consumer food company.

**Table 1: ConAgra Foods, Inc. - Quarterly Summary (millions except EPS) (a)**

	Continuing Operations (b)		F2008		F2007		F2006		F2005	
	F2008	F2007								
<b>August</b>										
Net Sales	\$2,621.1	\$2,474.7	+6%	\$2,955.6	\$2,686.6	+1%	\$2,673.8	+2%	\$2,630.6	
Cost of Goods Sold	2,002.3	1,845.9	(2)	2,235.2	2,025.6	(1)	2,003.1	+6	1,995.1	
Gross Profit	618.8	628.8	(9)	720.4	663.0	(5)	670.7	+8	635.5	
SG&A Expenses	393.2	380.1	(11)	418.1	398.2	-	391.0	+12	376.5	
Operating Profit	225.6	248.7	(8)	302.3	264.8	+5	279.7	+13	259.0	
Interest Expense, Net	54.8	56.2	(7)	58.5	58.0	+2%	72.4	+4%	73.4	
Income Before Taxes	170.8	192.5	(13)	243.8	206.8	+5	207.3	+12	185.6	
Income Taxes	57.2	69.3	(17)	85.0	75.8	+21	82.3	+13	74.6	
Income After Taxes	113.6	123.2	(8)	158.8	131.0	+28%	125.0	+4%	111.0	
Equity Earnings	9.6	(0.2)	(4)	12.3	2.2	(4)	5.1	-	14.1	
Net Income	\$123.2	\$123.0	(4)	\$171.1	\$133.2	(4)	\$130.1	(3)	\$125.1	
Diluted Shares	492.8	512.4	(4)	492.8	512.4	(4)	520.5	(4)	521.4	
EPS	\$0.25	\$0.24	(4)	\$0.35	\$0.26	(4)	\$0.25	(4)	\$0.24	
% of Sales										
Gross Profit	23.6%	25.4%		24.4%	24.7%		25.1%		24.2%	
SG&A Expenses	15.0	15.4		14.2	14.9		14.6		14.4	
Oper. Profit	8.6	10.0		10.2	9.8		10.5		9.8	
Effective Tax Rate	33.5%	36.0%		34.9%	36.7%		39.7%		40.2%	
<b>November</b>										
Net Sales	\$2,951.2	\$2,776.6	+6%	\$3,511.0	\$3,088.7	+3%	\$3,002.0	(4)%	\$3,118.2	
Cost of Goods Sold	2,209.0	2,028.2	(1)	2,546.9	2,278.4	+19	2,270.6	(9)	2,311.3	
Gross Profit	742.2	748.4	(7)	964.1	810.3	+22	731.4	(25)	806.9	
SG&A Expenses	469.5	453.6	(13)	519.2	445.1	+22	431.4	(26)	406.8	
Operating Profit	272.7	294.8	(10)	444.9	365.2	+21	300.0	(24)	400.1	
Interest Expense, Net	62.2	51.5	(17)	64.3	52.1	+35	68.6	(26)	85.8	
Income Before Taxes	210.5	243.3	(13)	380.6	313.1	+36	231.4	(24)	314.3	
Income Taxes	75.8	93.2	(10)	143.2	117.2	+27%	87.6	(26)%	126.1	
Income After Taxes	134.7	150.1	(10)	237.4	195.9	(4)	143.8	(26)%	188.2	
Equity Earnings	12.5	8.4	(7)	23.1	8.6	(4)	7.3	(26)%	15.1	
Net Income	\$147.2	\$158.5	(10)	\$260.5	\$204.5	(4)	\$151.1	(26)%	\$203.3	
Diluted Shares	490.7	511.3	(4)	490.7	511.3	(4)	521.0	(4)	517.5	
EPS	\$0.30	\$0.31	(3)	\$0.53	\$0.40	(3)	\$0.29	(26)	\$0.39	
% of Sales										
Gross Profit	25.1%	27.0%		27.5%	26.2%		24.4%		25.9%	
SG&A Expenses	15.9	16.3		14.8	14.4		14.4		13.0	
Oper. Profit	9.2	10.7		12.7	11.8		10.0		12.8	
Effective Tax Rate	36.0%	38.3%		37.6%	37.4%		37.9%		40.1%	

(Continued)

**Table 1: (Continued) (a)**

	Continuing Operations (b)		F2008	F2007	F2008	F2007	F2006	F2005
	F2008	F2007						
<b>February</b>								
Net Sales	\$2,955.3	\$2,615.1	\$3,528.4	\$2,918.4	\$2,861.8	\$2,861.8	\$2,756.3	
Cost of Goods Sold	2,248.4	1,933.3	2,542.0	2,076.7	2,137.4	2,046.1	2,046.1	
Gross Profit	706.9	681.8	986.4	841.7	724.4	710.2	710.2	
SG&A Expenses	427.1	365.0	494.0	353.2	405.7	397.6	397.6	
Operating Profit	279.8	316.8	492.4	485.5	318.7	312.6	312.6	
Interest Expense, Net	66.7	54.9	62.1	56.1	68.8	68.1	68.1	
Income Before Taxes	213.1	261.9	430.3	429.4	249.9	244.5	244.5	
Income Taxes	67.1	85.4	156.6	109.7	86.4	92.1	92.1	
Income After Taxes	146.0	176.5	273.7	222.7	163.5	152.4	152.4	
Equity Earnings	20.8	5.9	45.3	9.6	8.4	7.0	7.0	
Net Income	\$166.8	\$182.4	\$319.0	\$232.4	\$171.9	\$159.4	\$159.4	
Diluted Shares	490.6	506.7	490.6	506.7	520.9	520.3	520.3	
EPS	\$0.34	\$0.36	\$0.65	\$0.45	\$0.33	\$0.31	\$0.31	
% of Sales								
Gross Profit	23.9%	26.1%	28.0%	28.8%	25.3%	25.8%	25.8%	
SG&A Expenses	14.5	14.0	14.0	15.5	14.2	14.5	14.5	
Oper. Profit	9.4	12.1	14.0	13.3	11.1	11.3	11.3	
Effective Tax Rate	31.5%	32.6%	36.4%	33.0%	34.6%	37.7%	37.7%	
<b>May</b>								
Net Sales	\$3,078.1	\$2,665.3	\$3,332.5	\$3,332.5	\$2,944.4	\$2,944.4	\$2,998.6	
Cost of Goods Sold	2,430.4	2,031.3	2,437.3	2,437.3	2,227.5	2,313.8	2,313.8	
Gross Profit	647.7	634.0	895.2	895.2	716.9	684.8	684.8	
SG&A Expenses	447.2	492.0	557.0	557.0	427.8	430.9	430.9	
Operating Profit	200.5	142.0	338.2	338.2	289.1	253.9	253.9	
Interest Expense, Net	69.6	56.9	59.4	59.4	62.2	67.7	67.7	
Income Before Taxes	130.9	85.1	278.8	278.8	226.9	186.2	186.2	
Income Taxes	34.9	23.8	99.7	99.7	85.1	76.4	76.4	
Income After Taxes	96.0	61.3	179.1	179.1	141.8	109.8	109.8	
Equity Earnings	6.8	14.3	20.0	20.0	5.6	10.0	10.0	
Net Income	\$102.8	\$75.6	\$199.1	\$199.1	\$147.4	\$119.8	\$119.8	
Diluted Shares	489.3	498.2	498.2	498.2	519.1	521.0	521.0	
EPS	\$0.21	\$0.15	\$0.40	\$0.40	\$0.28	\$0.23	\$0.23	
% of Sales								
Gross Profit	21.0%	23.8%	26.8%	26.8%	24.3%	22.8%	22.8%	
SG&A Expenses	14.5	18.5	16.7	16.7	14.5	14.3	14.3	
Oper. Profit	6.5	5.3	10.1	10.1	9.8	8.5	8.5	
Effective Tax Rate	26.7%	28.0%	35.8%	35.8%	37.5%	41.0%	41.0%	

(a) Excludes nonrecurring gains and charges.

(b) Excludes divested Trading and Merchandising operations. Partly estimated.

**Table 2: ConAgra Foods, Inc. - Quarterly Segment Results - Continuing Operations (millions) (a)**

	F2008		F2007 Restated		F2007		F2006		F2005	
<b>Aug. - Net Sales:</b>										
Consumer Foods	\$1,559.3	+3%	\$1,513.7		\$1,509.6	+1%	\$1,499.5	(3)%	\$1,549.3	
Food & Ingredients	910.1	+11	817.0		831.5	+8	770.5	+6	728.1	
International Foods	151.7	+5	144.0		142.1	(1)	143.8	+10	130.3	
Total	<u>\$2,621.1</u>	<u>+6%</u>	<u>\$2,474.7</u>		<u>\$2,483.2</u>	<u>+3%</u>	<u>\$2,413.8</u>	<u>-</u>	<u>\$2,407.7</u>	
<b>Operating Profit:</b>										
Consumer Foods	\$175.5	(15)%	\$207.3		\$206.6	+24%	\$166.4	(11)%	\$187.0	
Food & Ingredients	120.6	+16	104.4		106.3	+10	96.4	+9	88.8	
International Foods	11.3	(14)	13.2		13.1	(24)	17.3	+42	12.2	
Segment Total	<u>\$307.4</u>	<u>(5)</u>	<u>\$324.9</u>		<u>\$326.0</u>	<u>+16</u>	<u>\$280.1</u>	<u>(3)</u>	<u>\$288.0</u>	
General Corp. Expense	70.6	(6)	74.8		76.8	+5	72.9	+15	63.6	
Company Total	<u>\$236.8</u>	<u>(5)%</u>	<u>\$250.1</u>		<u>\$249.2</u>	<u>+20%</u>	<u>\$207.2</u>	<u>(8)%</u>	<u>\$224.4</u>	
<b>Operating Margin:</b>										
Consumer Foods	11.3%		13.7%		13.7%		11.1%		12.1%	
Food & Ingredients	13.3		12.8		12.8		12.5		12.2	
International Foods	7.4		9.2		9.2		12.0		9.4	
Segment Total	<u>11.7</u>		<u>13.1</u>		<u>13.1</u>		<u>11.6</u>		<u>12.0</u>	
General Corp. Expense	(2.7)		(3.0)		(3.1)		(3.0)		(2.7)	
Company Total	<u>9.0%</u>		<u>10.1%</u>		<u>10.0%</u>		<u>8.6%</u>		<u>9.3%</u>	
<b>Nov. - Net Sales:</b>										
Consumer Foods	\$1,780.5	+2%	\$1,751.7		\$1,752.2	-	\$1,753.2	(8)%	\$1,898.0	
Food & Ingredients	995.0	+14	869.5		885.7	+10%	805.3	+7	750.3	
International Foods	175.7	+13	155.4		153.5	(1)	154.9	-	154.9	
Total	<u>\$2,951.2</u>	<u>+6%</u>	<u>\$2,776.6</u>		<u>\$2,791.4</u>	<u>+3%</u>	<u>\$2,713.4</u>	<u>(3)%</u>	<u>\$2,803.2</u>	
<b>Operating Profit:</b>										
Consumer Foods	\$259.4	(17)%	\$313.7		\$314.7	+29%	\$244.6	(24)%	\$321.7	
Food & Ingredients	131.8	+37	95.9		92.0	-	91.9	+4	88.6	
International Foods	14.7	(21)	18.6		14.2	(5)	14.9	(13)	17.2	
Segment Total	<u>\$405.9</u>	<u>(5)</u>	<u>\$428.2</u>		<u>\$420.9</u>	<u>+20</u>	<u>\$351.4</u>	<u>(18)</u>	<u>\$427.5</u>	
General Corp. Expense	126.0	+45	86.6		94.6	+12	84.1	+9	77.0	
Company Total	<u>\$279.9</u>	<u>(18)%</u>	<u>\$341.6</u>		<u>\$326.3</u>	<u>+22%</u>	<u>\$267.3</u>	<u>(24)%</u>	<u>\$350.5</u>	
<b>Operating Margin:</b>										
Consumer Foods	14.6%		17.9%		18.0%		14.0%		16.9%	
Food & Ingredients	13.2		11.0		10.4		11.4		11.8	
International Foods	8.4		12.0		9.3		9.6		11.1	
Segment Total	<u>13.8</u>		<u>15.4</u>		<u>15.1</u>		<u>13.0</u>		<u>15.3</u>	
General Corp. Expense	(4.3)		(3.1)		(3.4)		(3.1)		(2.7)	
Company Total	<u>9.5%</u>		<u>12.3%</u>		<u>11.7%</u>		<u>9.9%</u>		<u>12.5%</u>	

(Continued)

**Table 2: (Continued) (a)**

	<b>F2008</b>		<b>F2007 Restated</b>		<b>F2007</b>		<b>F2006</b>		<b>F2005</b>	
<b>Feb. - Net Sales:</b>										
Consumer Foods	\$1,756.1	+8%	\$1,621.9		\$1,619.0	(2)%	\$1,644.4	+1%	\$1,625.7	
Food & Ingredients	1,034.2	+24	837.4		851.9	+8	789.8	+8	733.4	
International Foods	165.0	+6	155.8		154.2	+3	149.3	+8	137.9	
Total	<u>\$2,955.3</u>	+13%	<u>\$2,615.1</u>		<u>\$2,625.1</u>	+2%	<u>\$2,583.5</u>	+3%	<u>\$2,497.0</u>	
<b>Operating Profit:</b>										
Consumer Foods	\$213.7	(27)%	\$292.5		\$291.2	+11%	\$261.2	+1%	\$258.3	
Food & Ingredients	144.6	+33	108.7		109.3	+36	80.2	+4	76.9	
International Foods	18.6	+23	15.1		16.9	+18	14.3	+5	13.6	
Segment Total	<u>\$376.9</u>	(9)	<u>\$416.3</u>		<u>\$417.4</u>	+17	<u>\$355.7</u>	+2	<u>\$348.8</u>	
General Corp. Expense	82.1	(9)	90.1		90.9	(7)	97.6	+4	93.8	
Company Total	<u>\$294.8</u>	(10)%	<u>\$326.2</u>		<u>\$326.5</u>	+27%	<u>\$258.1</u>	+1%	<u>\$255.0</u>	
<b>Operating Margin:</b>										
Consumer Foods	12.2%		18.0%		18.0%		15.9%		15.9%	
Food & Ingredients	14.0		13.0		12.8		10.2		10.5	
International Foods	11.3		9.7		11.0		9.6		9.9	
Segment Total	<u>12.8</u>		<u>15.9</u>		<u>15.9</u>		<u>13.8</u>		<u>14.0</u>	
General Corp. Expense	(2.8)		(3.4)		(3.5)		(3.8)		(3.8)	
Company Total	<u>10.0%</u>		<u>12.5%</u>		<u>12.4%</u>		<u>10.0%</u>		<u>10.2%</u>	
<b>May - Net Sales:</b>										
Consumer Foods	\$1,703.9	+6%	\$1,609.4		\$1,604.5	-	\$1,607.3	(1)%	\$1,642.4	
Food & Ingredients	1,188.8	+32	897.6		912.6	+11%	823.0	+6	774.0	
International Foods	185.4	+17	158.3		156.2	+1	155.2	-	155.1	
Total	<u>\$3,078.1</u>	+15%	<u>\$2,665.3</u>		<u>\$2,673.3</u>	+3%	<u>\$2,585.5</u>	+1%	<u>\$2,571.5</u>	
<b>Operating Profit:</b>										
Consumer Foods	\$173.7	(6)%	\$184.1		\$184.7	(23)%	\$241.1	+14%	\$211.4	
Food & Ingredients	114.7	+9	104.8		105.0	+5	100.1	+26	79.6	
International Foods	20.7	+18	17.5		17.2	(24)	22.6	+15	19.7	
Segment Total	<u>\$309.1</u>	+1	<u>\$306.4</u>		<u>\$306.9</u>	(15)	<u>\$363.8</u>	+17	<u>\$310.7</u>	
General Corp. Expense	108.6	(34)	164.4		169.0	+45	116.7	+3	112.8	
Company Total	<u>\$200.5</u>	+41%	<u>\$142.0</u>		<u>\$137.9</u>	(44)%	<u>\$247.1</u>	+25%	<u>\$197.9</u>	
<b>Operating Margin:</b>										
Consumer Foods	10.2%		11.4%		11.5%		15.0%		12.9%	
Food & Ingredients	9.6		11.7		11.5		12.2		10.3	
International Foods	11.2		11.1		11.0		14.6		12.7	
Segment Total	<u>10.0</u>		<u>11.5</u>		<u>11.5</u>		<u>14.1</u>		<u>12.1</u>	
General Corp. Expense	(3.5)		(6.2)		(6.3)		(4.5)		(4.4)	
Company Total	<u>6.5%</u>		<u>5.3%</u>		<u>5.2%</u>		<u>9.6%</u>		<u>7.7%</u>	

(a) Continuing operations, excluding divested Trading and Merchandising operations. Excludes nonrecurring gains and charges.

**Table 3: ConAgra Foods, Inc. - Quarterly Sales Trends for Major Consumer Foods Brands**

	F2008		F2007	
	<u>Brands Growing</u>	<u>Brands Declining</u>	<u>Brands Growing</u>	<u>Brands Declining</u>
<b><u>August:</u></b>	Banquet Blue Bonnet Chef Boyardee DAVID Egg Beaters Healthy Choice Hebrew National Hunt's Kid Cuisine Libby's Marie Callender's Manwich Orville Redenbacher's Reddi-wip Rosarita Rotel Snack Pack Van Camp's Wesson	ACT II Crunch N Munch PAM Parkay Slim Jim Swiss Miss	Banquet Chef Boyardee DAVID Hebrew National Hunt's Kid Cuisine Marie Callender's Orville Redenbacher's PAM Reddi-wip Rosarita Rotel Slim Jim Snack Pack	ACT II Egg Beaters Healthy Choice LaChoy Manwich Parkay Swiss Miss VanCamp's Wesson
<b><u>November:</u></b>	Blue Bonnet Chef Boyardee Egg Beaters Healthy Choice Hebrew National Libby's Marie Callender's PAM Reddi-wip Rosarita Rotel Slim Jim Snack Pack Wesson Wolf	ACT II Crunch N Munch DAVID Kid Cuisine Manwich Orville Redenbacher's Parkay Pemmican Swiss Miss	DAVID Egg Beaters Healthy Choice Hebrew National Hunt's Kid Cuisine Marie Callender's Manwich Orville Redenbacher's PAM Parkay Peter Pan Reddi-wip Rosarita Slim Jim Swiss Miss Wesson Wolf	ACT II Banquet Blue Bonnet Chef Boyardee LaChoy Libby's VanCamp's

(Continued)

**Table 3: (Continued)**

	<b>F2008</b>		<b>F2007</b>	
	<b>Brands Growing</b>	<b>Brands Declining</b>	<b>Brands Growing</b>	<b>Brands Declining</b>
<b>February:</b>	ACT II Banquet Blue Bonnet Egg Beaters Healthy Choice Hebrew National Hunt's Libby's Manwich Marie Callender's Orville Redenbacher's PAM Rosarita Rotel Slim Jim Swiss Miss Wesson	Chef Boyardee Crunch N Munch Kid Cuisine Parkay Pemmican Reddi-wip Snack Pack Wolf	(a) Blue Bonnet Chef Boyardee DAVID Egg Beaters Hebrew National Hunt's Marie Callender's Manwich Orville Redenbacher's PAM Rosarita Rotel Snack Pack Wolf VanCamp's	ACT II Banquet Healthy Choice Kid Cuisine LaChoy Libby's Parkay Reddi-wip
<b>May:</b>	Andy Capp Blue Bonnet Chef Boyardee Crunch N Munch DAVID Egg Beaters Hebrew National Hunt's Libby's Manwich Orville Redenbacher's Rosarita Rotel Snack Pack Wesson Wolf	ACT II Banquet Kid Cuisine Marie Callender's PAM Parkay Pemmican Reddi-wip Slim Jim Swiss Miss	(b) Blue Bonnet Chef Boyardee DAVID Egg Beaters Hebrew National Kid Cuisine Libby's Marie Callender's Manwich Orville Redenbacher's Reddi-wip Rosarita Slim Jim Swiss Miss Wesson	ACT II LaChoy Parkay Rotel VanCamp's Wolf

(a) Sales for Slim Jim and Wesson were in line with prior-year amounts.

(b) Sales for Hunt's, PAM, Healthy Choice and Banquet were in line with prior-year amounts.

## Analyst's Certification

I Robert J. Cummins certify that the views expressed in this research report accurately reflect my personal views about the subject companies and their securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report. Other ConAgra Foods reports issued by me are: 3/4/05 (\$28) – Strong Buy – Target \$34-\$35; 5/20/05 (\$27) – Strong Buy – Target \$34-\$35; 7/8/05 (\$22.70) – Strong Buy – Target \$28-\$30; 9/14/05 (\$22.50) – Strong Buy – Target \$28-\$30; 9/29/05 (\$24.30) – Strong Buy – Target \$28-\$30; 12/13/05 (\$20) – Strong Buy – Target \$28-\$30; 1/12/06 (\$20.20) – Strong Buy – Target \$28-\$30; 1/23/06 (\$20.85) – Strong Buy – Target \$28-\$30; 3/21/06 (\$19.95) – Buy – Target \$22-\$23; 10/19/06 (\$25.70) – Buy – Target \$28-\$29; 1/9/07 (\$27.40) – Buy – Target \$31-\$32; 3/28/07 (\$24.60) – Strong Buy – Target \$31-\$32; 7/17/07 (\$27) – Strong Buy – Target \$31-\$32; 9/26/07 (\$25.50) – Strong Buy – Target \$31-\$32; 1/7/08 (\$23.15) – Strong Buy – Target \$29-\$30; 4/3/2008 (\$24.20) – Strong Buy – Target \$29-\$30.

## Important Disclosures

### Guide to Investment Ratings and Target Prices:

**Strong Buy ("1").** The stock's total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.

**Buy ("2").** The stock's total return is expected to exceed the average total return of the analyst's industry coverage universe over the next 12 months.

**Hold (Neutral) ("3").** The stock's total return is expected to equal the average total return of the analyst's industry coverage universe over the next 12 months.

**Sell ("4").** The stock's total return is expected to be below the average total return of the analyst's industry coverage universe over the next 12 months.

### Analyst's Ratings Distribution

		% Investment Banking
Buy*	60%	0%
Hold	40%	0%
Sell	0%	0%

\*Includes companies rated "Strong Buy" and "Buy."

Unless otherwise specified, the time frame for price targets included in this report is 12 months.

Our target prices are based on projected earnings for the following calendar year, and an assumed price/earnings ratio in line with the company's historical valuation or those of other companies with similar businesses and prospects.

The principal risks to the achievement of our price targets, in addition to general market trends, are disappointing earnings and a lower than expected price/earnings ratio.

## Important Disclosures, continued



The analyst and his household members hold positions in the common shares of the subject company in various accounts.

Capital Management Associates holds positions in the common shares of the subject company in managed accounts.

Neither Shields nor a director, officer or the research analyst has received any compensation for products or services from the subject company in the past 12 months.

## Other Disclosures and Disclaimers

This research report and recommendations agree with the personal opinion of the analyst who prepared this report.

Any financial interest that the research analyst or member of the analyst's household or any other individual directly involved with the preparation of this report has in the subject company, has been disclosed in the Important Disclosures section.

Investing is a risky activity and can lead to substantial losses. This report does not provide individually tailored investment advice. It has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Shields & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

## **Other Disclosures and Disclaimers, continued**

This report is not an offer to buy or sell any security or to participate in any trading strategy. Shields & Company and/or its employees not involved in the preparation of this report may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Shields & Company or associated persons. The firm does not make a market in the shares of the companies mentioned, has no relationship with them, and has not received any compensation from them.

Shields & Company makes every effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. We have no obligation to tell you when opinions or information in this report change apart from when we intend to discontinue research coverage of a subject company.

Reports prepared by Shields & Company and its research personnel are based on public information. Facts and views presented in this report have not been reviewed by, and may not reflect information known to, professionals in other business areas.

Shields & Company research personnel conduct site visits from time to time but are prohibited from accepting payment or reimbursement by the company of travel expenses from such visits.