SHIELDS & COMPANY
MEMBER NEW YORK STOCK EXCHANGE
140 BROADWAY NEW YORK, NY 10005

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

TRADING DESK
(212) 320-3001

AUGUST 3, 2006

COMPANY SUMMARY
Thursday, August 3, 2006

Speaker: Bob Cummins | **Rating: Strong Buy**

Food Industry Comment:

Dean Foods (DF-$38) continues to prove itself one of the best managed and most dynamic companies in the food industry, reporting a better than expected 15% increase in EPS for the June quarter, despite a difficult prior-year comparison. For the year to date, EPS before one-time items are up 13%, and management expects continued double-digit growth over the balance of 2006, particularly in 4Q, when results a year ago were relatively flat. We expect that Dean will continue to achieve faster earnings growth than most other food companies, reflecting solid progress in its Dairy Group, through rising market share and increasing efficiency, and above-average growth for its WhiteWave Foods specialty unit, which has the potential for both healthy top-line gains and significantly higher margins over the next few years. At 18 times the middle of management's $2.10-$2.15 EPS guidance for 2006, and 15.5 times our own estimate of $2.45 (up from $2.40) for 2007, the shares in our opinion remain reasonably priced considering the company's above-average potential. We reemphasize our "1" (Strong Buy) rating, and are raising our 12-month target price from $42-$43 to $44-$45.

Dean's 2Q sales declined 1.5%, reflecting a pass-through of lower milk costs by the Dairy Group and the elimination of low-volume SKUs at WhiteWave Foods. However, margins improved, and operating income increased 7%. Interest expense rose 26%, about half attributable to higher rates, and half to increased borrowings to finance the company's aggressive share repurchase program. The latter in turn led to an 11% decline, year-to-year, in average diluted shares, and to the aforementioned 15% rise in EPS, to $0.55 from continuing operations, versus $0.48.

While most of the companies we follow have active share repurchase programs, Dean's rate of activity over recent quarters has been the most aggressive relative to its number of shares outstanding. We believe it reflects management's confidence that earnings a few years down the road will be well above the current level, and that purchases in the current price range will prove

(Continued)

See page 4 for Analyst's Certification, pages 4-5 for Important Disclosures and pages 5-6 for Other Disclosures and Disclaimers

to be an attractive investment. While interest expense of $96 million for the first six months was 24% higher than a year ago, it was covered 4.5 times by EBITDA.

The larger of Dean's two business segments, the **Dairy Group**, with annual sales of $9 billion, is the nation's leading processor and distributor of fresh milk and other dairy products by a wide margin, operating 97 plants in 34 states, with direct store delivery (DSD) routes serving 150,000 retail and foodservice locations. This is a mature industry, but Dean is gaining market share at the expense of competitors, and strengthening its margins by increasing its efficiency. In 2Q, the group's dollar sales declined nearly 3%, as the company passed through a portion of this year's decline in raw milk prices to customers. Real volume increased just over 2%, compared with a flat trend for total consumption, as measured by the USDA. Segment operating income increased 5%, and the operating margin reached a healthy 8.3% of sales, up from 7.7% a year ago, and a depressed 6.8% in 2Q-04, when raw milk prices were above normal. With ample supplies in prospect for the foreseeable future, management expects a continued strong performance for the dairy operations.

WhiteWave Foods, with annual sales of $1.2 billion, has product lines that are generally dairy-related, but it operates autonomously from the Dairy Group, with its own manufacturing, marketing and distribution systems. Its products are more specialized in nature, have longer shelf lives, are sold under heavily advertised brand names, and are distributed primarily through chain warehouses rather than via DSD. They are also growing much faster than fresh dairy products, and WhiteWave is likely to become a significantly larger and more profitable business for Dean in the coming years.

The WhiteWave segment achieved double-digit sales growth throughout 2005, but growth has moderated this year, reflecting a decision to eliminate some low-volume SKUs in order to concentrate on the most important product lines. Nevertheless, sales showed a healthy 7% rise in 2Q, and its four major brands all performed well, with Horizon Organic milk (2005 sales $273 million) up 23%, Silk soymilk ($337 million) up 15%, International Delight coffee creamers ($241 million) up 8%, and Land O Lakes products ($182 million) up 5%. Segment profits rose 5%, versus strong prior-year results, when earnings nearly tripled. The operating margin narrowed slightly, from 9.9% to 9.8% of sales, reflecting the ongoing costs of consolidating WhiteWave's formerly separate activities into a single efficient business unit, as well as higher costs for organic milk, sugar and fuel. In view of the company's strong brand positions and the value-added nature of its products, we believe it is reasonable to expect WhiteWave to achieve and maintain attractive double-digit profit margins over time.

The Horizon brand appears to have the greatest growth potential of all of WhiteWave's product lines, based on strong consumer interest in organic milk and Dean's dominant market share in this field. Raw organic milk is in short supply, and prices are high, reflecting the long lead time required to convert dairy herds and farmland to certified organic production. Dean produces

(Continued)

20% of its requirements on its own farms, and purchases the other 80% from more than 300 family-owned farms with which it has strong relationships. It is working closely with another 200 farmers who are in the process of transitioning to organic production. The company expects to see a substantial increase in supplies toward the end of this year, which should set the stage for strong sales growth, and possibly some price relief, in 2007. Nevertheless, management believes demand will continue to exceed supply over the foreseeable future.

During 2005 and 2006, Dean has simplified its business portfolio by divesting several non-core operations. In January, 2005, it created a new subsidiary, TreeHouse Foods, to which it transferred the mainly private-label operations of its former Specialty Foods Group, as well as some other activities. In June, TreeHouse was spun off to Dean Foods' stockholders, and it now trades as a public company. In August, 2005, the company sold its Marie's salad dressings and Dean's dips businesses. This week, in conjunction with the 2Q earnings release, it announced plans to sell its Leche Celta milk business in Spain and Portugal, which had 2005 sales of about $330 million, and is now categorized as a discontinued operation. Management states that this is the last major step in the company's rationalization process. The company's only remaining overseas business is Rachel's Organic, the leading producer of organic milk and the number two organic yogurt company in the U.K. Rachel's which had sales last year of $69 million, and is growing rapidly, was consolidated with WhiteWave Foods effective January 1, 2006.

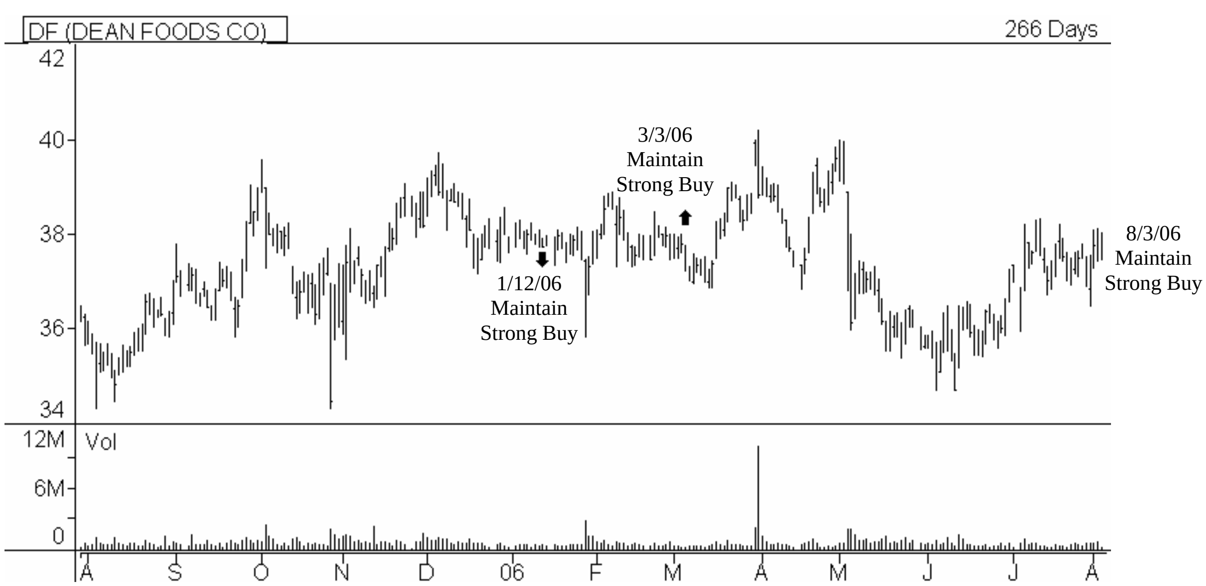
Analyst's Certification

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 Dean Foods reports issued by me are: 2/1/05 ($35.30) – Strong Buy – Target $40-$41; 5/18/05 ($38.50) – Strong Buy – Target $42-$43; 1/12/06 ($38) – Strong Buy – Target $42-$43; 3/3/06 ($38) – Strong Buy – Target $42-$43.

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.
Unless otherwise specified, the time frame for price targets included in this report is 12 months.
Among the stocks we follow, 53% are rated Strong Buy, 12% Buy, 35% Neutral, and 0% Sell.
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 firm does not beneficially own 1% or more of any class of common equity securities of the subject company.

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

Capital Management Associates holds various 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.

Shields & Company does not make a market in the securities of the subject company.

No officer, director, employee or research analyst of the firm, or a member of the research analyst's household, is an officer, director or employee of the subject company, nor does any officer, director, employee or research analyst of the firm or member of the research analyst's household serve in any advisory capacity to the subject company.

Shields & Company is not aware of any actual material conflicts of interest for the research analyst, or the firm, which the research analyst knows or has reason to know, at the time this report is published or otherwise distributed.

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.