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## **FOOD STOCK SUMMARY**

### **Friday, January 21, 2005**

**Speaker: Bob Cummins**

#### **Food Industry Comment: Market Commentary**

A number of our "1"-rated (Strong Buy) food stocks have come to life recently, in contrast to the generally weak market. **ConAgra Foods** (CAG-\$30), **General Mills** (GIS-\$52) and **Sara Lee** (SLE-\$24.50) have been reaching new 12-month highs on an almost daily basis. These three stocks now show an average rise of 18% from their lows of last summer and fall, and GIS in particular is within \$0.50 of its all-time high, reached in December, 2001, in the euphoria following the Pillsbury merger. Among our other recommended stocks, **PepsiCo** (PEP-\$53.50) and **Del Monte Foods** (DLM-\$11.60), while still slightly below last year's highs, are also well off their lows, and are performing well, as is **Dean Foods** (DF-\$34).

In our judgment, increased interest in the food stocks reflects three main influences: (1) Market rotation, as investors switch out of last year's winners into sectors that are viewed as better values or more conservative. (2) Growing recognition of an improved earnings outlook for the food industry, as some of last year's inflationary cost pressures have eased, while food prices have been increased to restore normal margins. (3) An increased emphasis on dividends, based partly on tax changes, and an awareness that the food companies not only have above-average yields, but are among those best situated to raise their payout ratios, since they are noncyclical and generate substantial excess cash.

We continue to view all six of the stocks mentioned above as attractive for purchase, but we particularly like **Sara Lee**, **Del Monte Foods**, and **Dean Foods**, based on attractive valuations and prospects for a resumption of healthy earnings growth after previous disappointments. DLM is also a candidate to establish its first quarterly dividend in the near future. We also continue to emphasize **Smucker** (SJM-\$47), whose shares have traded in a narrow range in the mid-40s for some months, but should respond favorably as earnings progress accelerates over the next several quarters, reflecting synergistic benefits from the Multifoods acquisition, as well as declining plant startup costs.

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**See pages 3 to 7 of report for important disclosures and Analyst's Certification.**

(Continued)

The three companies with December quarters will be reporting as follows: SLE, January 25<sup>th</sup>; PEP, February 3<sup>rd</sup>; and DF, February 10<sup>th</sup>. SJM will report January quarter results on February 18<sup>th</sup>.

For further details on all of the companies mentioned here, please refer to our most recent Company Summaries: SJM, 1/14/05 and 11/23/04; CAG, 12/31/04; GIS, 12/28/04; DLM, 12/3/04; DF, 11/9/04; SLE, 10/29/04 and 10/8/04; and PEP, 10/1/04. Our Year-End Overview dated 12/14/04 may also be of interest.

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**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. I have a position in the shares of ConAgra Foods, Dean Foods, Del Monte Foods, General Mills, PepsiCo, Sara Lee, and J.M. Smucker.

Other ConAgra Foods reports issued by me are: 3/26/04 (\$26.70) – Strong Buy – Target \$32-\$33; 5/18/04 (\$28) – Strong Buy – Target \$32-\$33; 6/4/04 (\$28) – Strong Buy – Target \$32-\$33; 7/2/04 (\$27) – Strong Buy – Target \$32-\$33; 9/24/04 (\$26) – Strong Buy – Target \$32-\$33; 12/14/04 (\$27) – Strong Buy – Target \$32-\$33; 12/31/04 (\$29.30) – Strong Buy – Target \$34-\$35.

Other Dean Foods reports issued by me are: 2/27/04 (\$36) – Strong Buy – Target \$42-\$43; 5/7/04 (\$35) – Strong Buy – Target \$41-\$42; 5/18/04 (\$34) – Strong Buy – Target \$41-\$42; 8/6/04 (\$35.40) – Strong Buy – Target \$41-\$42; 9/10/04 (\$30.80) – Strong Buy – Target \$37-\$38; 11/9/04 (\$32.50) – Strong Buy – Target \$38-\$39; 12/14/04 (\$32) – Strong Buy – Target \$38-\$39.

Other Del Monte Foods reports issued by me are: 3/9/04 (\$11.10) – Strong Buy – Target \$14-\$15; 5/18/04 (\$11) – Strong Buy – Target \$14-\$15; 6/4/04 (\$10.50) – Strong Buy – Target \$14-\$15; 7/2/04 (\$10) – Strong Buy – Target \$14-\$15; 9/14/04 (\$10.90) – Strong Buy – Target \$14-\$15; 12/3/04 (\$10.40) – Strong Buy – Target \$13-\$14; 12/14/04 (\$10.20) – Strong Buy – Target \$13-\$14.

Other General Mills reports issued by me are: 2/27/04 (\$46) – Strong Buy – Target \$57-\$58; 3/19/04 (\$46.50) – Strong Buy – Target \$55-\$56; 5/18/04 (\$46) – Strong Buy – Target \$55-\$56; 6/4/04 (\$46) – Strong Buy – Target \$55-\$56; 10/8/04 (\$44.80) – Strong Buy – Target \$53-\$54; 12/14/04 (\$47) – Strong Buy – Target \$53-\$54; 12/28/04 (\$49.60) – Strong Buy – Target \$57-\$58.

Other PepsiCo reports issued by me are: 2/6/04 (\$50) – Strong Buy – Target \$56-\$57; 4/23/04 (\$54.60) – Strong Buy – Target \$60-\$61; 5/18/04 (\$54) – Strong Buy – Target \$60-\$61; 7/16/04 (\$52) – Strong Buy – Target \$60-\$61; 10/1/04 (\$49) – Strong Buy – Target \$60-\$61; 12/14/04 (\$51) – Strong Buy – Target \$60-\$61.

Other Sara Lee reports issued by me are: 1/23/04 (\$20.30) – Strong Buy – Target \$25-\$26; 2/27/04 (\$22) – Strong Buy – Target \$26-\$27; 4/27/04 (\$23.60) – Strong Buy – Target \$28-\$29; 5/18/04 (\$23) – Strong Buy – Target \$28-\$29; 8/20/04 (\$21.50) – Strong Buy – Target \$26-\$27; 10/8/04 (\$22.80) – Strong Buy – Target \$26-\$27; 10/29/04 (\$23) – Strong Buy – Target \$26-\$27; 12/14/04 (\$24) – Strong Buy – Target \$28-\$29.

Other J.M. Smucker reports issued by me are: 4/16/04 (\$51) – Buy – Target \$60-\$61; 5/18/04 (\$49) – Buy – Target \$60-\$61; 6/4/04 (\$49) – Buy – Target \$60-\$61; 6/25/04 (\$45) – Strong Buy – Target \$60-\$61; 7/27/04 (\$42.50) – Strong Buy – Target \$60-\$61; 11/23/04 (\$44) – Strong Buy – Target \$54-\$55; 12/14/04 (\$46) – Strong Buy – Target \$54-\$55.

## 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.

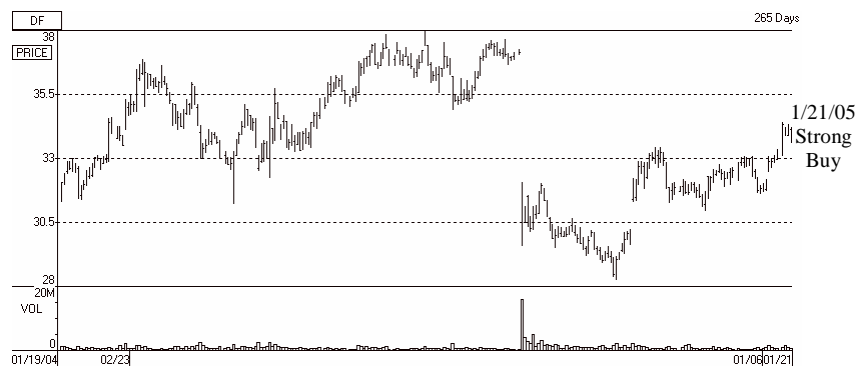
**Sell ("4").** The stock's total return is expected to be below the average total return of the analyst's industry coverage universe over the next 12 months.

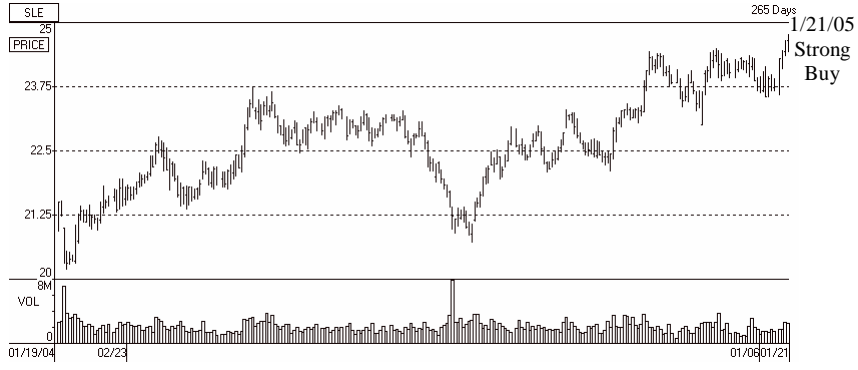
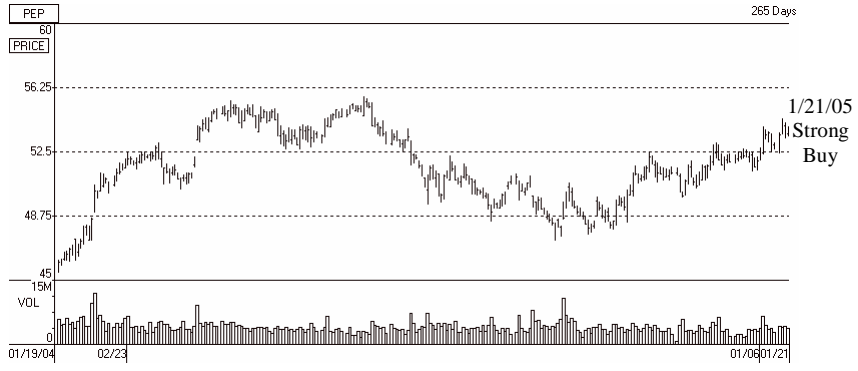
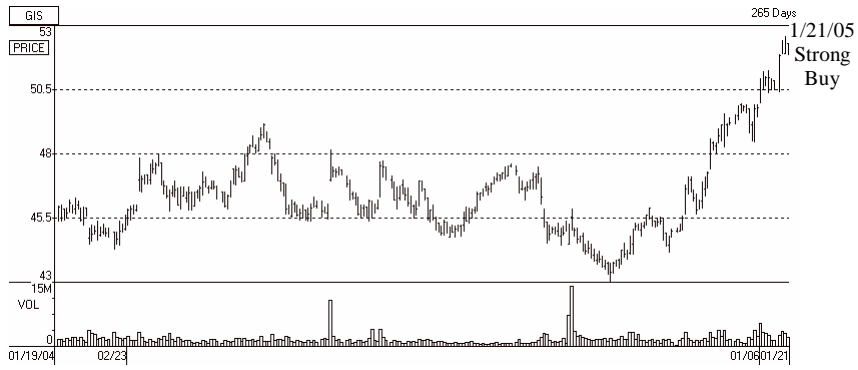
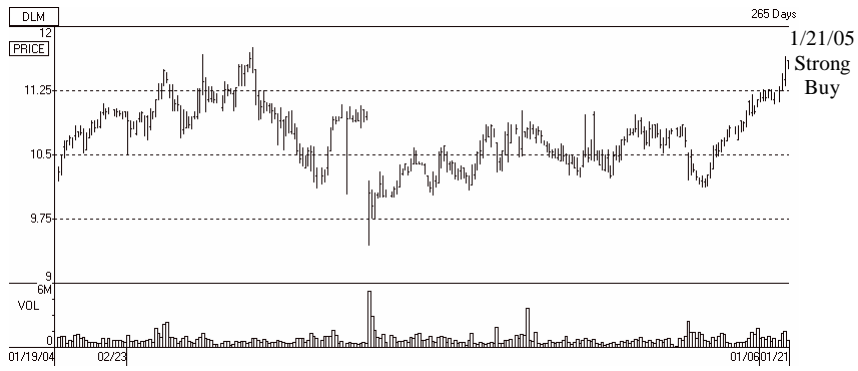
Unless otherwise specified, the time frame for price targets included in this report is 12 months.

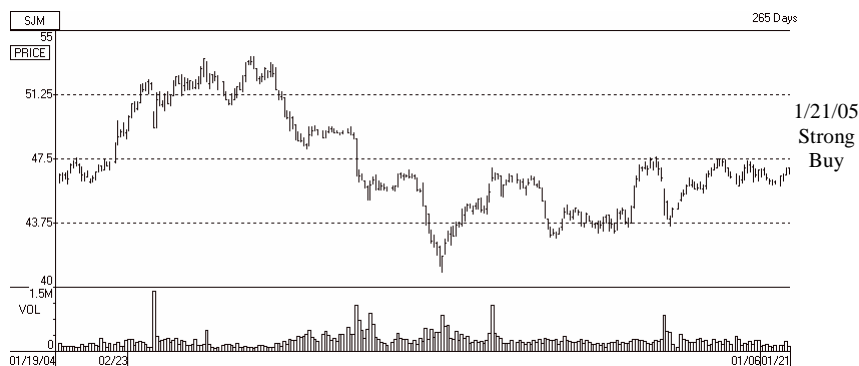
Among the stocks we follow, 63% are rated Strong Buy, 6% Buy, 31% Neutral, and 0% Sell.

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.







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