SHIELDS & COMPANY
MEMBER NEW YORK STOCK EXCHANGE

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COMPANY SUMMARY
Friday, June 4, 2004

Speaker: Bob Cummins

Food Industry Comment:

J.M. Smucker (SJM - $49)
Del Monte Foods (DLM - $10.50)
General Mills (GIS -$46)
ConAgra Foods (CAG - $28) - These four companies, all of which are on our Recommended List, will be reporting results for their April/May fiscal years within a few weeks. In each case, we expect F4Q earnings to meet or exceed expectations, and we are bullish on the companies' prospects for F2005. For DLM, GIS, and CAG, F4Q results will include the benefit of an extra 14th week, which adds a theoretical 7.7% to reported EPS. In our comments below, we discuss F4Q earnings both with and without the additional week.

Smucker (SJM - $49) will report earnings for the April year on June 17th, in conjunction with a special meeting of shareholders to vote on the proposed acquisition of International Multifoods (IMC - $25). Management has stated that EPS for the year, before one-time items, are likely to exceed its earlier guidance of $2.32 - $2.37, versus $2.19 in F2003. Although results were strong in F4Q-03, we expect EPS this year to at least equal last year's $0.52, resulting in full-year earnings of $2.40, with the possibility of an upside surprise.

The IMC deal, which will increase SJM's annual sales by about 60%, is expected to close by the end of this month, and thus will be included in its results for about 10 months of F2005. Although IMC has experienced earnings problems recently, SJM does not appear to be overpaying for it, and management appears confident that the transaction will be modestly accretive in the first year, excluding merger costs. Over the next three years, the cost savings from combining the two companies are projected at $0.43-$0.65 per share, which would represent a sizable 18%-27% enhancement of SJM's current earning power. Our preliminary EPS estimate for F2005 is $2.75, which assumes 10% growth in Smucker's existing businesses and a $0.10 contribution from Multifoods. Despite its disappointing results over recent quarters, IMC has strong brand names, and the success of SJM's acquisition of the Jif and Crisco product lines from P&G two years ago leads us to believe that this deal will prove successful as well.

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Trading 8% below its 12-month high, partly reflecting arbitrage pressure, Smucker nevertheless is not particularly cheap at 18.3 times estimated calendar 2004 EPS, above the 17.6 average for the leading packaged-foods companies. Our rating of "2" (Buy), rather than "1", reflects that valuation. Nevertheless, we consider SJM one of the premier mid-size food companies, and not only an attractive investment idea, but a particularly timely one that may well rally in response to the upcoming earnings report and the imminent closing of the IMC merger. Our 12-month target price is \$60-\$61. For further details, please see our Company Summary dated April 16th.

Del Monte Foods (DLM - \$10.50) will report its results for the April 2004 fiscal year, its first full year since the Heinz acquisition, on June 24th. Management's longstanding earnings guidance, excluding nonrecurring gains and charges, is \$0.87-\$0.91 per share, versus \$0.85 pro forma a year ago. That relatively small increase masks steady progress over the past 12 months in both integrating and upgrading the businesses purchased in December, 2002, which more than doubled DLM's annual sales. The implied EPS range for F4Q alone is \$0.30-\$0.34, 43%-62% above the prior year's \$0.21. Adjusted for the impact of this year's extra week, which we estimate at about \$0.02, the increase would be 33%-50%. We believe investors will view the F4Q results as providing the first tangible evidence of the success of the acquisition, reflecting the benefits of growth in the core product lines, an upgrading of product mix, increased new product activity, cost savings from merger synergies, and the use of free cash flow to reduce debt.

For seasonal reasons, the April quarter most likely will always be DLM's peak profit period, but we expect the benefits of the merger to be reflected in strong earnings momentum throughout F2005, especially in F1Q (July), when results last year were depressed. Our preliminary estimate for the year is \$1.10, up 21%-26%, despite the absence of F2004's extra week.

After reaching a nearly two-year high of \$11.75 in late April, the Del Monte shares have declined 11%, and are nearly back to the low reached in January, when Texas Pacific sold 12 million shares in a secondary offering. This may reflect an absence of news, the long wait between the end of the fiscal year and the reporting date, and concerns about management's ability to achieve its ambitious earnings target for the April quarter. This in our opinion has created an unusually attractive buying opportunity. DLM's multiple of 9.8 times estimated calendar 2004 EPS, by far the lowest of all the food companies we follow, is unjustified, and should expand as investors see increasing evidence that the Heinz acquisition is paying off, not only in near-term earnings progress but also in enhanced opportunities for long-term growth. DLM remains one of our most attractive buy ideas. Rated "1" (Strong Buy), target \$14-\$15. Recent comments: 3/9/04.

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General Mills (GIS-$46) will release its results for the May fiscal year on June 30th at a breakfast meeting for analysts in Boston. The February quarter was weak, with both unit volume and EPS from operations slightly below prior-year levels, due to a difficult comparison, higher commodity costs, and the low-carbohydrate diet fad. Results for the May period will still be sub-par, but growth in both volume and EPS is expected to resume, which should be good news for investors. Management's earnings guidance, excluding one-time costs, is $2.85 for the year, up 7.5% from the $2.65 for F2003, indicating F4Q EPS of $0.74 versus $0.64, for a gain of nearly 16%. Based on a comparable number of weeks, the F4Q rise would be a more moderate 7%-8%.

We expect gradually improving results in F2005, based on a recent increase in new product activity and selective price increases, as well as a possible easing of pressures from ingredient costs and the low-carb phenomenon. Rising international profits and continued debt reduction should also contribute to earnings growth. The absence of this year's extra week will be a partial offset. Our preliminary estimate for F2005 is $3.05, which would represent 7% growth, or 9% based on a comparable number of weeks.

Despite disappointing results in the past year, which relate partly to industrywide trends, we continue to view GIS as one of the best managed, most innovative companies in the food industry, and one that is likely to achieve superior sales and earnings growth in the future, as in the past. We also continue to believe that the addition of the ex-Pillsbury brands and product lines will prove beneficial to GIS's overall growth, despite some shortfalls since the merger. The company's mediocre performance over recent quarters has led to a discount multiple of only 15 times earnings, in contrast to a premium in the past. We believe purchases during this slow period will prove highly rewarding as the company's progress accelerates. Rated "1", target $55-$56. Recent comments: 3/19/04.

ConAgra Foods (CAG-$28), whose fiscal year also ended in May, will report earnings on July 1st. In the February quarter, excluding the impact of divestitures and restructuring charges, total segment operating profits showed a better than expected 10% increase, but EPS rose only 5% due to lower joint venture income and a temporary rise in the tax rate. CAG does not provide specific earnings guidance, other than to state that it expects "a solid finish" for the year. We look for stronger earnings progress in F4Q, including a healthy performance in Packaged Foods, despite the continuing cost pressures faced by all of the food companies; a continued recovery in Food Ingredients; a more normal tax rate; and an extra week. Our F4Q estimate is $0.37, versus an adjusted $0.31 last year, for a gain of 19%, or 11% based on a comparable number of weeks. That would bring full-year EPS from operations to $1.55, up 14% from an adjusted $1.36 in F2003.

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F2005 will be ConAgra's first full year following the divestiture of its volatile and low-margin fresh meat, chicken and agriproducts operations, as well as its smaller cheese and canned tuna businesses, all of which were sold over a 14-month period between September 2002 and November 2003. We expect that the year ahead will be a successful one for its ongoing businesses, which comprise a broad array of packaged-foods products under dozens of well-recognized brand names. Having completed its divestiture program, management will continue to focus on increased efficiency, product innovation, margin expansion, and cash generation, as it strives to become one of the most successful of the leading branded food companies. Our preliminary estimate for F2005, including the impact of one less week, is $1.75, up 13%.

Investors have reacted favorably to the structural changes at CAG, including the divestitures as well as the strengthening of its continuing businesses. In April, the stock reached its highest price since early 1999, before selling off 7% to its present level. However, its valuation of 16.5 times calendar 2004 EPS is not excessive, while its $1.04 dividend, which is likely to be increased in September, provides a 3.7% yield, the highest in the food industry. ConAgra Foods in our view remains one of the most promising of the large-cap food companies. Rated "1", target $32-$33. Recent comments: 3/26/04.

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 SJM,DLM,GIS, and CAG. Other reports issued by me are: ConAgra Foods ($26.70) 3/26/04-Strong Buy; General Mills ($46.50) 3/19/04-Strong Buy; Del Monte Foods ($11.10) 3/9/04-Strong Buy; PepsiCo ($54.60) 4/23/04-Strong Buy; SYSCO Corporation ($39) 3/26/04-Strong Buy; Sara Lee ($23.60) 4/27/04-Strong Buy; Sensient Technologies ($21.50) 4/20/04 -Buy; Performance Food Group ($35) 5/7/04-Strong Buy; Dean Foods ($35) 5/7/04- Strong Buy; Heinz ($37) 5/25/04-Strong Buy; J.M. Smucker ($51) 4/16/04-Buy.

Guide to Investment Ratings:

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.
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.

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