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OCTOBER 7, 2008

COMPANY SUMMARY

Tuesday, October 7, 2008

Speaker: Bob Cummins

Food Industry Comment:

In view of the current financial, economic and stock market turmoil, some observations on the food companies may be timely.

At this writing, the Dow Jones Industrial Average is trading at 9447, down 33% from its 12-month high of 14198 reached in October, 2007. The food stocks naturally have not been immune to the pressures, but not surprisingly in view of the companies' more defensive characteristics, the weakness has not been as drastic. As shown by Table 1, the food issues on our Recommended List on average are trading 17% below their highs, still a significant contraction for such a stable industry.

Meanwhile, the earnings outlook for the food companies has actually improved. In contrast to last spring and summer, when major agricultural commodities were trading at two to three times their prices in 2006, wheat is now down 52% from its peak, while soybeans, corn and raw milk have declined 42%, 30% and 20%, respectively. All of these commodities or their derivatives are key ingredients in packaged foods. Petroleum products also represent an important cost input in the manufacture and distribution of food. In that regard, we note that crude oil is trading 40% below its high, while natural gas is down 50%.

We note also that if consumers continue the recent trend of eating fewer restaurant meals and more meals at home, that means more business for supermarkets, and thus for the brand-name food companies. Meanwhile, after some early hesitancy, food industry managements over the past year have moved aggressively to raise selling prices in order to offset cost increases and maintain or restore margins, and in our opinion will not be in any hurry to roll back prices as costs decline, particularly since profit margins for most companies remain below historical levels. Thus, we expect to see some strong earnings reports over the next several quarters.

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See pages 4-5 for Analyst's Certification, pages 5-9 for Important Disclosures and pages 9-10 for Other Disclosures and Disclaimers

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As a result of lower stock prices, we note that the dividend yields for the food companies have risen markedly. **ConAgra** now yields 3.9% and **Kraft** 3.7%, while **Heinz** and **SYSCO** provide yields of 3%+. Moreover, in contrast to other industries where dividends are being reduced as earnings decline, the major food companies have records of steady increases in their dividends, a trend that we expect will continue in view of their strong free cash flow. We also look for most of the companies to continue or accelerate their share buyback programs, in view of the declines in stock prices.

Table 1 provides pertinent data on the nine food companies on our Recommended List (Rated "1," or Strong Buy). At the current prices, we are particularly attracted to **ConAgra**, **Kraft**, **PepsiCo**, and **SYSCO Corporation** among the large-cap companies, and **Smucker** and **United Natural Foods** in the mid-cap category.

Our most recent publications on our recommended companies are as follows:

ConAgra Foods – October 2
General Mills – September 24
United Natural Foods – September 17
Heinz – September 3
Smucker – August 25
PepsiCo – August 14
SYSCO – August 12
Kraft – August 7
TreeHouse – March 25

Table 1: Recommended Food Stocks

	FY	Price Oct. 7 2008	12-Mos. Range	Decline from High	Earnings Per Share (a) 2007 2008E 2009E	P/E Cal. 2009E	Ind. Divd.	Yield
<u>Leading Packaged-Foods Companies</u>								
ConAgra Foods (CAG)	May	19.3	26-19	(26)%	\$1.06 \$1.10 A \$1.55	14.7	\$0.76	3.9%
General Mills (GIS)	May	67	72-51	(7)	3.26 3.71 A 3.83	16.3	1.72	2.6
Heinz (HNZ)	April	50	53-41	(6)	2.38 2.63 A 2.91	15.8	1.66	3.3
Kraft Foods (KFT)		31	35-28	(18)	1.82 1.90 2.10	14.8	1.16	3.7
PepsiCo (PEP)		65	80-63	(19)	3.38 3.75 4.15	15.7	1.70	2.6
<u>Mid-Size Companies</u>								
Smucker (SJM)	April	48	57-40	(16)	2.89 3.15 A 3.55	12.8	1.28	2.7
TreeHouse Foods (THS)		29	32-19	(9)	1.32 1.50 1.80	16.1	-	-
<u>Food Distributors</u>								
SYSCO (SYY)	June	29	35-26	(17)	1.60 1.81 A 2.04	13.4	0.88	3.0
United Natural Foods (UNFI)	July	22	32-16	(31)	1.17 1.13 A 1.34	15.0	-	-
Average				(17)%		14.9		3.1%(b)
Dow Jones Industrials		9447	14198-9437	(33)%				

(a) Before nonrecurring gains or charges. (b) Excludes non-dividend paying companies.

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: 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; 7/16/08 (\$21) – Strong Buy – Target \$29-\$30; 10/2/08 (\$20) – Strong Buy – Target \$27-\$28.

Other General Mills reports issued by me are: 1/26/07 (\$56.60) – Strong Buy – Target \$66-\$67; 3/30/07 (\$58) – Strong Buy – Target \$66-\$67, 10/8/07 (\$57.35) – Strong Buy – Target \$66-\$67, 1/14/08 (\$56.20) – Strong Buy – Target \$66-\$67; 9/24/08 (\$68) – Strong Buy – Target \$78-\$79.

Other United Natural Foods reports issued by me are: 7/1/08 (\$19.40) – Initiation of Coverage – Strong Buy – Target \$25-\$26; 9/17/08 (\$23.60) – Strong Buy – Target \$28-\$29.

Other H.J. Heinz reports issued by me are: 6/7/07 (\$46.60) – Strong Buy – Target \$53-\$54; 9/17/07 (\$46.30) – Strong Buy – Target \$53-\$54; 12/4/07 (\$47) – Strong Buy – Target \$54-\$55; 4/15/08 (\$47.30) – Strong Buy – Target \$54-\$55; 9/3/08 (\$52) – Strong Buy – Target \$59-\$60.

Other J.M. Smucker reports issued by me are: 4/16/07 (\$57) – Buy – Target \$60-\$61; 7/19/07 (\$59) – Strong Buy – Target \$66-\$67; 10/26/2007 (\$52.80) – Strong Buy – Target \$62-\$63; 3/10/08 (\$50.25) – Strong Buy – Target \$62-\$63; 6/24/08 (\$43) – Strong Buy – Target \$56-\$57; 8/25/08 (\$54) – Strong Buy – Target \$66-\$67.

Other PepsiCo reports issued by me are: 2/15/07 (\$64) – Strong Buy – Target \$75-\$76; 5/2/07 (\$67) – Strong Buy – Target \$75-\$76; 7/26/07 (\$67) – Strong Buy – Target \$77-\$78; 10/16/07 (\$72) – Strong Buy – Target \$77-\$78; 3/14/08 (\$68.50) – Strong Buy – Target \$77-\$78; 5/15/2008 (\$67) – Strong Buy – Target \$77-\$78; 8/14/08 (\$70) – Strong Buy – Target \$81-\$82.

Other SYSCO Corporation reports issued by me are: 1/31/07 (\$34.30) – Strong Buy – Target \$39-\$40; 5/8/07 (\$33.55) – Strong Buy – Target \$39-\$40; 11/9/07 (\$33.70) – Strong Buy – Target \$41-\$42; 1/31/08 (\$28.40) – Strong Buy – Target \$36-\$37; 4/29/08 (\$30.50) – Strong Buy – Target \$36-\$37; 8/12/08 (\$31.30) – Strong Buy – Target \$38-\$39.

Other Kraft Foods reports issued by me are: 3/7/07 (\$32) – Buy – Target \$37-\$38; 5/11/07 (\$32.50) – Strong Buy – Target \$38-\$39; 8/3/07 (\$32.70) – Strong Buy – Target \$38-\$39; 11/7/07 (\$33.40) – Strong Buy – Target \$39-\$40; 2/7/08 (\$29.30) – Strong Buy – Target \$36-\$37, 5/21/08 (\$32.50) – Strong Buy – Target \$38-\$39; 8/7/08 (\$32.25) – Strong Buy – Target \$38-\$39.

Other TreeHouse Foods reports issued by me are: 5/23/07 (\$27.90) – Strong Buy – Target \$33-\$34; 8/9/07 (\$21.80) – Strong Buy – Target \$33-\$34; 11/29/07 (\$22.55) – Strong Buy – Target \$29-\$30; 1/23/08 (\$21) – Strong Buy – Target \$27-\$28; 3/25/08 (\$23) – Strong Buy – Target \$28-\$29.

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*	63%	0%
Hold	37%	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

ConAgra Foods



General Mills



United Natural Foods



Important Disclosures, continued

Heinz



Smucker



PepsiCo



Important Disclosures, continued

SYSCO Corporation



Kraft



TreeHouse Foods



Important Disclosures, continued

The analyst and his household members hold positions in the common shares of ConAgra Foods, General Mills, United Natural Foods, Heinz, Smucker, PepsiCo, SYSCO Corporation, Kraft and TreeHouse Foods in various accounts.

Capital Management Associates holds positions in the common shares of ConAgra Foods, General Mills, United Natural Foods, Heinz, Smucker, PepsiCo, SYSCO Corporation, Kraft and TreeHouse Foods 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, except that Shields & Company has acted as a broker for SYSCO Corporation and has received commissions in return.

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