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# FOOD STOCK SUMMARY
## Thursday, January 12, 2006

**Speaker: Bob Cummins**

**Food Industry Comment: Year-End Overview**

After outperforming the market in 2004, the food stocks as a group did poorly in 2005, due primarily to disappointing earnings caused by inflationary cost pressures, problems in some overseas operations, the strengthening of the dollar, restructuring steps at several companies, and the initial impact of expensing stock options. As shown by Table 1, the S&P 500 managed to achieve a modest 3% gain for the year, but our universe of 16 food stocks declined 4%, on average, despite some pockets of strength. The nine leading packaged-foods issues showed an average decline of 9%. The only gainer for the year was **PepsiCo**, up 13%, while **Campbell Soup**, **General Mills**, and **Hershey** were all essentially unchanged in price. On the other hand, **ConAgra Foods**, **Sara Lee**, **Kraft Foods** and **Heinz** suffered substantial declines of 31%, 22%, 21%, and 14%, respectively.

In the foodservice sector, **Performance Food Group** gained 5%, after a sharp decline in 2004, but **SYSCO**, the industry leader, saw its price drop 19%. Among the small-to-midcap companies at the bottom of the table, **Dean Foods** had a stellar year, up 39%, as did **Flowers Foods**, gaining 31%, but **Sensient Technologies** dropped 25%, while **Del Monte Foods** and **Smucker** fell 5%-7%. Also, while it is not shown by the table, **TreeHouse Foods**, which became a public company in June, by the end of the year was trading 44% below its high due to weak earnings.

Table 2 compares the performance of the S&P Packaged Foods index with the 500 over the past four years. In 2002, the 500 lost ground almost continuously through September, then rallied for two months before resuming its decline, ending the year down 23.4%, its largest single-year loss since 1974. The Foods were also behind for much of the year, albeit to a much lesser degree, but thanks to a rebound in the final three months ended the year almost flat, down just 0.1%.

The 500 remained weak in the first two months of 2003, then rose almost continuously through yearend, achieving an impressive 26.4% gain for the year. The Foods index, on the other hand, not only underperformed the S&P for most of the year, but was down slightly in the absolute as

(Continued)

**Table 1: FOOD STOCK SUMMARY - Prices, Earnings, Dividends**

| | FY | Com. Shs. (mil.) | Price Jan. 11 2006 | Price Change Cal. 2005 | Price Change 2006 to Date | 12 Mos. Range | Earnings Per Share (a) 2004 | Earnings Per Share (a) 2005E | Earnings Per Share (a) 2006E | Cal. Year P/E 2005E | Cal. Year P/E 2006E | Ind. Divd. | Yield | Rating | 12-Month Target |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Nine Leading Packaged-Foods Companies** | | | | | | | | | | | | | | | |
| Campbell Soup (CPB) | July | 413.6 | 30 | 0% | +1% | 32-27 | $1.58 | $1.71 A | $1.75 | 17.2 | 16.4 | $0.72 | 2.4% | 3 | |
| ConAgra Foods (CAG) | May | 518.9 | 20.2 | (31) | 0 | 30-20 | 1.51 | 1.35 A | 1.48 | 15.5 | 12.7 | 1.09 | 5.4 | 1 | 28-30 |
| General Mills (GIS) | May | 355.3 | 50 | (1) | +1 | 54-45 | 2.85 | 2.90 A | 2.94 | 16.1 | 16.3 | 1.36 | 2.7 | 1 | 56-57 |
| Heinz (HNZ) | April | 334.7 | 34 | (14) | +1 | 41-34 | 2.20 | 2.23 A | 2.23 f | 14.1 | 14.4 | 1.20 | 3.5 | 1 | 40-41 |
| Hershey (HSY) | | 241.5 | 54 | (1) | (2) | 67-52 | 2.06 | 2.27 | 2.53 | 23.8 | 21.3 | 0.98 | 1.8 | 3 | |
| Kellogg (K) | | 414.2 | 44 | (3) | +2 | 47-42 | 2.15 | 2.33 | 2.45 | 18.9 | 18.0 | 1.11 | 2.5 | 3 | |
| Kraft Foods (KFT) | | 1,682.5 | 28 | (21) | (1) | 36-27 | 1.87 | 1.88 | 2.00 | 14.9 | 14.0 | 0.92 | 3.3 | 3 | |
| PepsiCo (PEP) | | 1,659.2 | 59 | +13 | 0 | 60-51 | 2.32 | 2.69 | 2.95 | 21.9 | 20.0 | 1.04 | 1.8 | 1 | 66-67 |
| Sara Lee (SLE) | June | 759.5 | 18.5 | (22) | (2) | 25-17 | 1.62 | 1.49 A | 1.31 c | 14.2 | 12.3 | 0.79 | 4.3 | 1 | 22-23 |
| Average | | | | (9)% | 0% | | | | | 17.4 | 16.2 | | 3.1% | | |
| **Foodservice Distributors** | | | | | | | | | | | | | | | |
| Performance Food Group (PFGC) | | 35.6 | 27 | +5 | (5) | 33-24 | 1.24 | 1.25 f | 1.30 | 21.6 | 20.8 | - | - | 1 | 34-35 |
| SYSCO (SYY) | June | 620.3 | 31 | (19) | 0 | 38-30 | 1.37 | 1.49 A | 1.50 | 21.4 | 19.5 | 0.68 | 2.2 | 1 | 39-40 |
| **Other Companies** | | | | | | | | | | | | | | | |
| Dean Foods (DF) (b) | | 134.6 | 38 | +39 | +1 | 40-27 | 1.75 | 1.95 | 2.15 | 19.5 | 17.7 | - | - | 1 | 42-43 |
| Del Monte Foods (DLM) | April | 199.5 | 10.4 | (5) | 0 | 12-10 | 0.89 | 0.75 A | 0.75 | 13.9 | 12.2 | 0.16 | 1.5 | 1 | 13-14 |
| Flowers Foods (FLO) | | 60.8 | 27.5 | +31 | 0 | 31-18 | 0.81 | 0.97 | 1.15 | 28.4 | 23.9 | 0.40 | 1.5 | 3 | |
| Sensient Technologies (SXT) | | 47.1 | 18.5 | (25) | +3 | 24-17 | 1.53 | 1.25 | 1.39 | 14.8 | 13.3 | 0.60 | 3.2 | 3 | |
| Smucker (SJM) | April | 58.4 | 45 | (7) | +2 | 52-44 | 2.40 | 2.60 A | 2.80 | 16.4 | 14.7 | 1.08 | 2.4 | 1 | 52-53 |
| TreeHouse Foods (THS) | | 31.1 | 19 | - | +1 | 33-18 | - | 0.94 | 1.00 | 20.2 | 19.0 | - | - | 1 | 23-24 |
| Shields Food Universe Average | | | | (4)% | 0% | | | | | 18.4 | 16.9 | | 2.8% d | | |
| **S&P 500** | | | 1294 | +3% | +4% | | $67.67 | $76.78 | $85.31 | 16.9 | 15.2 | $23.26 | 1.8% | | |

A Actual. E Estimated. (a) Diluted. Before nonrecurring charges or gains. (b) Adjusted for spinoff. (c) Continuing operations. (d) Excludes non-dividend paying companies.
(f) Pro forma for divestitures and reinvestment of proceeds. (ne) No estimate.

**Fiscal 2007 Estimates: CPB $1.87, CAG $1.65, GIS $3.22, HNZ $2.40, SLE $1.45, SYY $1.70, DLM $0.88, SJM $3.15.**

**Ratings: 1- Strong Buy; 2-Buy; 3-Hold (Neutral); 4-Sell; NR-Not Rated.**

(FOOD STOCK SUMMARY TABLE 1.XLS/1/12/06)

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| Table 2: 2002-2005 Performance of Food Stocks Versus the Market | | | | | | | |
|---|---|---|---|---|---|---|---|
| | S&P 500 | | | S&P Packaged Foods & Meats | | | |
| | Closing Price | % Change Month | % Change Year to Date | Closing Price | % Change Month | % Change Year to Date | |
| **2005** | | | | | | | |
| December | 1248.29 | (0.1)% | +3.0% | 222.62 | (0.1)% | (10.5)% | = |
| November | 1249.48 | +3.5 | +3.1 | 222.90 | (1.8) | (10.3) | - |
| October | 1207.01 | (1.8) | (0.4) | 226.97 | (3.1) | (8.7) | - |
| September | 1228.81 | +0.7 | +1.4 | 234.16 | +1.7 | (5.8) | + |
| August | 1220.33 | (1.1) | +0.7 | 230.23 | (2.6) | (7.4) | - |
| July | 1234.18 | +3.6 | +1.8 | 236.27 | +1.8 | (5.0) | - |
| June | 1191.33 | 0.0 | (1.7) | 232.18 | (3.6) | (6.6) | - |
| May | 1191.50 | +3.0 | (1.7) | 240.76 | (0.8) | (3.2) | - |
| April | 1156.85 | (2.0) | (4.5) | 242.59 | +1.4 | (2.4) | + |
| March | 1180.59 | (1.9) | (2.6) | 239.25 | (2.3) | (3.8) | - |
| February | 1203.60 | +1.9 | (0.7) | 244.86 | (2.1) | (1.5) | - |
| January | 1181.27 | (2.5) | (2.5) | 250.22 | +0.6 | +0.6 | + |
| **2004** | | | | | | | |
| December | 1211.92 | +3.2% | +9.0% | 248.61 | +5.0% | +16.2% | + |
| November | 1173.82 | +3.9 | +5.6 | 236.84 | +2.8 | +10.7 | - |
| October | 1130.20 | +1.4 | +1.6 | 230.43 | +2.1 | +7.7 | + |
| September | 1114.58 | +0.9 | +0.2 | 225.68 | (0.7) | +5.5 | - |
| August | 1104.24 | +0.2 | (0.7) | 227.22 | +1.5 | +6.2 | + |
| July | 1101.72 | (3.4) | (0.9) | 223.87 | (2.9) | +4.6 | + |
| June | 1140.84 | +1.8 | +2.6 | 230.58 | +1.2 | +7.8 | - |
| May | 1120.68 | +1.2 | +0.8 | 227.93 | (2.0) | +6.5 | - |
| April | 1107.30 | (1.7) | (0.4) | 232.67 | +5.2 | +8.7 | + |
| March | 1126.21 | (1.6) | +1.3 | 221.07 | +0.3 | +3.3 | + |
| February | 1144.94 | +1.2 | +3.0 | 220.32 | +4.2 | +3.0 | + |
| January | 1131.13 | +1.7 | +1.7 | 211.35 | (1.2) | (1.2) | - |
| **2003** | | | | | | | |
| December | 1111.92 | +5.1% | +26.4% | 213.99 | +3.6% | +5.1% | - |
| November | 1058.20 | +0.7 | +20.3 | 206.63 | +1.6 | +1.5 | + |
| October | 1050.71 | +5.5 | +19.4 | 203.30 | +2.8 | (0.1) | - |
| September | 995.97 | (1.2) | +13.2 | 197.75 | +1.8 | (2.9) | + |
| August | 1008.01 | +1.8 | +14.6 | 194.20 | (1.2) | (4.6) | - |
| July | 990.31 | +1.6 | +12.6 | 196.60 | (1.2) | (3.4) | - |
| June | 974.50 | +1.1 | +10.8 | 198.99 | (0.4) | (2.2) | - |
| May | 963.59 | +5.1 | +9.5 | 199.80 | +7.9 | (1.8) | + |
| April | 916.92 | +8.1 | +4.2 | 185.10 | +0.8 | (9.1) | - |
| March | 848.18 | +0.8 | (3.6) | 183.54 | (1.3) | (9.8) | - |
| February | 841.15 | (1.7) | (4.4) | 185.87 | (5.4) | (8.7) | - |
| January | 855.70 | (2.7) | (2.7) | 196.57 | (3.4) | (3.4) | - |
| **2002** | | | | | | | |
| December | 879.82 | (6.0)% | (23.4)% | 203.56 | +1.8% | (0.1)% | + |
| November | 936.31 | +5.7 | (18.4) | 200.05 | +4.6 | (1.8) | - |
| October | 885.76 | +8.6 | (22.8) | 191.21 | +1.9 | (6.1) | - |
| September | 815.28 | (11.0) | (29.0) | 187.67 | (3.7) | (7.9) | + |
| August | 916.07 | +0.5 | (20.2) | 194.88 | (1.0) | (4.3) | - |
| July | 911.62 | (7.9) | (20.6) | 196.84 | (5.8) | (3.4) | + |
| June | 989.81 | (7.2) | (13.8) | 208.99 | (0.7) | +2.6 | + |
| May | 1067.14 | (0.9) | (7.1) | 210.55 | +1.0 | +3.4 | + |
| April | 1076.92 | (6.1) | (6.2) | 208.49 | +3.6 | +2.3 | + |
| March | 1147.39 | +3.7 | (0.1) | 201.32 | (0.4) | (1.2) | - |
| February | 1106.73 | (2.1) | (3.6) | 202.16 | (0.1) | (0.8) | + |
| January | 1130.20 | (1.6) | (1.6) | 202.30 | (0.7) | (0.7) | + |

+ Foods outperformed for the month.

- Foods underperformed for the month.

(S&P fsum.xls -1/6/06)

**Table 3: S&P 500 and S&P Packaged Foods, 1965-2005**

| | S&P 500 | | S&P Pkgd. Foods | | Pkgd. Foods |
|---|---|---|---|---|---|
| | Closing Price | Annual Change | Closing Price | Annual Change | Relative Performance |
| 2005 | 1248.29 | +3.0% | 222.62 | (10.5)% | (13.5)p.p. |
| 2004 | 1211.92 | +9.0 | 248.61 | +16.2 | +7.2 |
| 2003 | 1111.92 | +26.4 | 213.99 | +5.1 | (21.3) |
| 2002 | 879.82 | (23.4) | 203.56 | (0.1) | +23.3 |
| 2001 | 1148.09 | (13.0) | 203.72 | (0.6) | +12.4 |
| 2000 | 1320.28 | (10.1) | 205.05 | +23.3 | +33.4 |
| 1999 | 1469.25 | +19.5 | 166.30 | (23.1) | (42.6) |
| 1998 | 1229.23 | +26.7 | 216.25 | +6.2 | (20.5) |
| 1997 | 970.43 | +31.0 | 203.66 | +40.5 | +9.5 |
| 1996 | 740.74 | +20.3 | 144.98 | +15.7 | (4.6) |
| 1995 | 615.93 | +34.1 | 125.27 | +24.7 | (9.4) |
| 1994 | 459.27 | (1.5) | 100.44 | +8.8 | +10.3 |
| 1993 | 466.45 | +7.1 | 92.31 | (10.4) | (17.5) |
| 1992 | 435.71 | +4.5 | 103.04 | (2.4) | (6.9) |
| 1991 | 417.09 | +26.3 | 105.57 | +42.7 | +16.4 |
| 1990 | 330.22 | (6.6) | 74.00 | +8.3 | +14.9 |
| 1989 | 353.40 | +27.3 | 68.34 | +29.2 | +1.9 |
| 1988 | 277.70 | +12.4 | 52.88 | +33.0 | +20.6 |
| 1987 | 247.10 | +2.0 | 39.75 | +2.9 | +0.9 |
| 1986 | 242.20 | +14.6 | 38.62 | +30.2 | +15.6 |
| 1985 | 211.30 | +26.4 | 29.67 | +59.3 | +32.9 |
| 1984 | 167.20 | +1.4 | 18.63 | +16.0 | +14.6 |
| 1983 | 164.90 | +17.3 | 16.06 | +21.1 | +3.8 |
| 1982 | 140.60 | +14.7 | 13.26 | +32.9 | +18.2 |
| 1981 | 122.60 | (9.7) | 9.97 | +15.2 | +24.9 |
| 1980 | 135.80 | +25.9 | 8.65 | +2.7 | (23.2) |
| 1979 | 107.90 | +12.3 | 8.42 | (0.3) | (12.6) |
| 1978 | 96.11 | +1.1 | 8.44 | (6.0) | (7.1) |
| 1977 | 95.10 | (11.5) | 8.98 | (8.0) | +3.5 |
| 1976 | 107.50 | +19.2 | 9.76 | +12.1 | (7.1) |
| 1975 | 90.19 | +31.5 | 8.71 | +46.1 | +14.6 |
| 1974 | 68.56 | (29.7) | 5.96 | (17.9) | +11.8 |
| 1973 | 97.55 | (17.4) | 7.26 | (24.2) | (6.8) |
| 1972 | 118.10 | +15.7 | 9.57 | +9.7 | (6.0) |
| 1971 | 102.10 | +10.8 | 8.73 | +3.7 | (7.1) |
| 1970 | 92.15 | +0.1 | 8.42 | +3.4 | +3.3 |
| 1969 | 92.06 | (11.4) | 8.14 | (7.7) | +3.7 |
| 1968 | 103.90 | +7.7 | 8.82 | +14.3 | +6.6 |
| 1967 | 96.47 | +20.1 | 7.72 | +26.0 | +5.9 |
| 1966 | 80.33 | (13.1) | 6.13 | (26.0) | (12.9) |
| 1965 | 92.43 | | 8.29 | | |
| **Compound Annual Gain:** | | | | | |
| 1965-2005 (40 yrs.) | | +6.7% | | +8.6% | +1.9p.p. |
| 1975-2005 (30 yrs.) | | +9.2 | | +11.4 | +2.2 |
| 1985-2005 (20 yrs.) | | +9.3 | | +10.6 | +1.3 |
| 1995-2005 (10 yrs.) | | +7.3 | | +5.9 | (1.4) |

(SPFOODS-NEW.xls/1/6/06)

late as October. It managed to show 5.1% appreciation for 2003 as a whole, as a result of an improved performance late in the year. In 2004, the Foods regained momentum while the 500 slowed down. Both indices performed well in the closing months, but the Foods ended well ahead, up 16.2% for the year, versus a 9.0% gain for the 500 overall.

In 2005, as mentioned, the overall market was lackluster at best. At the end of June, the S&P 500 was still down for the year to date, but a gradual improvement in the second half led to a modest 3.0% rise for the full year. The Foods, on the other hand, were under pressure all year long on both an absolute and a relative basis, and finished the year down 10.5%, their worst performance since 1999.

Table 3 compares the annual performances of the two indices since 1965. The S&P Packaged Foods stocks, in addition to being affected by the fundamentals of the companies themselves, clearly are also influenced by market conditions and changing investor sentiment. Thus, in the technology boom of the late 1990s, when the S&P 500 rose three-fold in five years, the Foods underperformed significantly, particularly in 1999, when investors were literally dumping food stocks to get on the high-tech bandwagon. Subsequently, when the bubble burst, and the 500 index showed double-digit declines for three years in a row, the Foods came back into their own, at least on a relative basis.

It is also worth noting that while the 2005 closing price for the Packaged Foods index was below that of 2004, it was the second highest close in history. The S&P 500, on the other hand, while reaching a new recovery high, was still 15% below its record yearend high in 1999. Finally, at the bottom of the table, we compare the compound annual appreciation rates for the two indices for various periods. Over the past 40 years, the Packaged Foods have appreciated 8.6% annually, 1.9 percentage points faster than the 500. The group's appreciation has also been superior over 30 and 20 years. The only period for which the Foods underperformed was 1995-2005 (5.9% a year versus 7.3%), clearly reflecting the down year in 2005. Had the Foods index been flat last year, the 10-year growth rate would have been a more competitive 7.1%.

Table 4 summarizes the quarterly market performances since 4Q-03 for 34 companies in food and related areas, including the 17 on our closely-followed list. It can be seen that, on average, these stocks outperformed the S&P 500 in 4Q-04 (+15% versus +9%) and 1Q-05 (0% versus -3%), but they have lagged ever since. As shown in Table 1, thus far in 2006 the stocks in our food universe are unchanged in price, on average, compared with a 4% gain for the S&P 500. We are cautiously optimistic that this will be a better year for investors in this sector, based on the current depressed prices for many of the stocks, as well as some alleviation of cost inflation, but particularly on the decisive steps by the companies' managements to accelerate earnings progress through increased efficiency, price increases, divestitures of underperforming businesses, and the use of free cash flow to repurchase shares and reduce debt.

(Continued)

| Table 3-A: Annual Performance of S&P Indices and Industry Sectors | 2005 | 2004 | 2003 | 2002 |
|---|---|---|---|---|
| S&P 500 | +3.0% | +9.0% | +26.4% | (23.4)% |
| S&P MIDCAP 400 | +11.3 | +15.2 | +34.0 | (15.4) |
| S&P SMALLCAP 600 | +6.7 | +21.6 | +37.5 | (15.3) |
| Consumer Discretionary | (7.4)% | +12.1% | +36.1% | (24.4)% |
| Consumer Staples* | +1.3 | +6.0 | +9.2 | (6.3) |
| Energy | +29.1 | +28.8 | +22.4 | (13.3) |
| Financials | +3.7 | +8.2 | +27.9 | (16.4) |
| Health Care | +4.9 | +0.2 | +13.3 | (20.0) |
| Industrials | +0.4 | +16.0 | +29.7 | (27.6) |
| Information Technology | +0.4 | +2.1 | +46.5 | (37.6) |
| Materials | +2.2 | +10.8 | +34.8 | (7.7) |
| Telecommunication Services | (9.0) | +16.0 | +3.3 | (35.9) |
| Utilities | +12.8 | +19.6 | +21.1 | (33.0) |

* Includes Packaged Foods & Meats.

| Table 4: Leading Food Stocks - Quarterly Price Changes | Oct.- Dec. 2005 | July- Sept. 2005 | April- June 2005 | Jan.- March 2005 | Oct.- Dec. 2004 | July- Sept. 2004 | April- June 2004 | Jan.- March 2004 | Oct.- Dec. 2003 |
|---|---|---|---|---|---|---|---|---|---|
| Altria Group (b) | +1% | +14% | (1)% | +7% | +30% | (6)% | (8)% | 0% | +24% |
| Amer. Italian Pasta | (36) | (49) | (23) | +18 | (11) | (14) | (24) | (5) | +8 |
| Archer Daniels Midland | 0 | +15 | (13) | +10 | +31 | +1 | (1) | +11 | +16 |
| Bunge | +8 | (17) | +18 | (5) | +43 | +3 | (3) | +22 | +20 |
| Campbell Soup | 0 | (3) | +6 | (3) | +14 | (2) | (1) | +2 | +1 |
| Chiquita Brands | (28) | +2 | +3 | +21 | +27 | (17) | 0 | (7) | +27 |
| ConAgra Foods | (18) | +7 | (14) | (8) | +15 | (5) | +1 | +2 | +24 |
| Corn Products Intl. | 0 | 0 | (9) | (3) | +16 | (1) | +16 | +16 | +8 |
| Dean Foods (a) | (3) | +10 | +24f | +4 | +10 | (20) | +12 | +2 | +6 |
| Del Monte Foods | (3) | 0 | (1) | (2) | +5 | +3 | (10) | +8 | +19 |
| Flowers Foods | +1 | +25 | (11) | (11) | +22 | (1) | 0 | +2 | +13 |
| Fresh Del Monte | (16) | +1 | (12) | +3 | +19 | (1) | (2) | +8 | (3) |
| General Mills | +2 | +3 | (5) | (1) | +11 | (6) | +2 | +3 | (4) |
| Hain Celestial | +9 | (1) | +5 | (10) | +17 | (2) | (18) | (5) | +28 |
| Heinz | (8) | +3 | (4) | (6) | +8 | (8) | +5 | +2 | +6 |
| Hershey | (2) | (9) | +3 | +9 | +19 | +1 | +12 | +8 | +6 |
| Hormel Foods | (1) | +12 | (6) | (1) | +17 | (14) | +6 | +14 | +12 |
| Intl. Multifoods | c | c | c | c | c | c | c | +37 | (23) |
| Interstate Bakeries | d | d | d | d | d | d | (5) | (20) | (4) |
| Kellogg | (6) | +4 | +3 | (3) | +5 | +2 | +7 | +3 | +14 |
| Kraft Foods | (8) | (4) | (4) | (7) | +12 | 0 | (1) | (1) | +9 |
| McCormick | (5) | 0 | (5) | (11) | +12 | +1 | +2 | +11 | +10 |
| PepsiCo | +4 | +5 | +2 | +2 | +7 | (10) | 0 | +16 | +2 |
| Performance Food Group | (10) | +4 | +9 | +3 | +14 | (11) | (23) | (5) | (11) |
| Ralcorp Holdings | (5) | +2 | (13) | +13 | +16 | +3 | +16 | (3) | +13 |
| Sara Lee | 0 | (4) | (11) | (8) | +6 | (1) | +5 | +1 | +18 |
| Sensient Technologies | (6) | (8) | (4) | (10) | +11 | +1 | +15 | (6) | (6) |
| Smithfield Foods | +3 | +9 | (14) | +7 | +18 | (15) | +8 | +31 | +8 |
| Smucker | (9) | +3 | (7) | +7 | +6 | (3) | (13) | +17 | +7 |
| SYSCO | (1) | (13) | +1 | (6) | +28 | (17) | (8) | +5 | +14 |
| TreeHouse Foods | (30) | (6) | - | - | - | - | - | - | - |
| Tyson Foods | (5) | +1 | +7 | (9) | +15 | (24) | +16 | +36 | (6) |
| Unilever | (4) | +10 | (5) | +3 | +15 | (16) | (1) | +7 | +10 |
| Wrigley | (7) | +4 | +5 | (5) | +9 | 0 | +7 | +5 | 0 |
| Average | (4)% | +1% | (2)% | 0% | +15% | (6)% | 0% | +5% | +8% |
| S&P 500 | +2% | +3% | +1% | (3)% | +9% | (2)% | +3% | (1)% | +12% |

(a) Formerly Suiza Foods. (b) Formerly Philip Morris. (c) Company was acquired. (d) Company declared bankruptcy (f) Adjusted for spinoff.

(Continued)

**Earnings Trends are Mixed**

Table 5 summarizes the sales and earnings trends for nine leading packaged-foods marketers in their most recent quarters, as well as their calendar or fiscal years to date. The earnings figures exclude nonrecurring gains and losses, as well as results of discontinued operations.

In their most recent quarters, the nine companies on a median basis achieved sales growth of 4%, a rather anemic figure considering that virtually all of the companies were raising prices to offset cost inflation. **ConAgra Foods** (-5%) and **Sara Lee** (-2%) were below the prior year, while **Campbell Soup's** sales rose only 1%. The best performers were **PepsiCo** (+13%), **Hershey** (+9%), **Kellogg** (+7%), and **Heinz** (+6%).

The median increase in pretax income was a modest 2%, as five of the nine companies experienced a decline in profit margins compared with a year earlier. Four reported lower absolute earnings, notably **CAG** (-21%) and **SLE** (-19%), as well as **KFT** (-8%), and **HNZ** (-3%). **PEP**, **HSY**, **CPB** and **GIS** went counter to the trend, with profit increases of 14%, 11%, 7% and 5%, driven in part by higher margins.

Growth in net income, which reflects not only changes in effective tax rates but in some cases joint venture or equity income, showed a larger 4% gain for the typical company in the latest period. For **HNZ**, net was up 7% despite a 3% decline on the pretax line, while stronger results were also shown by **K** (+11% versus +4%) and **PEP** (+17% versus +14%). **KFT** (-14% versus -8%) and **SLE** (-22% versus -19%) reported larger declines on an after-tax than a pretax basis.

EPS for the group showed a respectable 7% median increase in the most recent quarter, generally reflecting share repurchases. Four of the companies, **PEP**, **HSY**, **K** and **HNZ**, reported double-digit growth in EPS, despite the pressures on the industry. For **HNZ** and **K** in particular, lower tax rates, reduced shares outstanding, or both, transformed mediocre pretax results into solid growth in EPS.

The year-to-date figures in Table 5 reflect nine-month results for the four companies reporting on a calendar year basis, but cover only one or two quarters for those with fiscal years ending between April and June. The median results are generally comparable to those for their most recent quarters, with gains of 5% in sales, 2% in pretax income, 4% in net, and 7% in EPS. The same five companies suffered margin erosion versus the prior year, while the same four show declines in absolute profits. Four companies show double-digit growth in EPS on a year-to-date basis, but in this case **HNZ** shows only a modest 3% increase for its first six months, while **GIS** is up 13%, thanks to healthy margins and reduced shares outstanding.

(Continued)

**Table 5: Nine Leading Packaged-Foods Companies - Trends in Sales & Earnings (% change versus prior year)(a)**

| | Latest Quarter | | | | | Year To Date | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Period | Sales | Pre-tax Income | Net Income | E.P.S. | Period | Sales | Pre-tax Income | Net Income | E.P.S. |
| Campbell Soup | 1Q Oct. | +1% | +7% | +5% | +5% | 1Q Oct. | +1% | +7% | +5% | +5% |
| ConAgra Foods | 2Q Nov. | (5) | (21) | (19) | (19) | 6M Nov. | (3) | (12) | (7) | (7) |
| General Mills | 2Q Nov. | +3 | +5 | +1 | +5 | 6M Nov. | +3 | +14 | +8 | +13 |
| Heinz | 2Q Oct. | +6 | (3) | +7 | +11 | 6M Oct. | +6 | (7) | 0 | +3 |
| Hershey | 3Q Sept. | +9 | +11 | +11 | +14 | 9M Sept. | +10 | +11 | +12 | +16 |
| Kellogg | 3Q Sept. | +7 | +4 | +11 | +12 | 9M Sept. | +8 | +7 | +12 | +12 |
| Kraft Foods | 3Q Sept. | +4 | (8) | (14) | (11) | 9M Sept. | +5 | (7) | (5) | (4) |
| PepsiCo | 3Q Sept. | +13 | +14 | +17 | +18 | 9M Sept. | +10 | +13 | +15 | +16 |
| Sara Lee | 1Q Sept. | (2) | (19) | (22) | (21) | 1Q Sept. | (2) | (19) | (22) | (21) |
| Median | | +4% | +2% | +4% | +7% | | +5% | +2% | +4% | +7% |

(a) Before nonrecurring gains and charges. Continuing operations where applicable.

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**Table 6: Leading Packaged-Foods Companies - Quarterly Median Trends in Sales & Earnings (a)**

| | Sales | Pre-tax Income | Net Income | E.P.S. |
|---|---|---|---|---|
| 3Q-05 | +4% | +5% | +10% | +12% |
| 2Q-05 | +5 | +1 | +5 | +5 |
| 1Q-05 | +5 | +7 | +7 | +7 |
| 4Q-04 | +7 | +4 | +3 | +4 |
| 3Q-04 | +5 | +8 | +9 | +10 |
| 2Q-04 | +4 | +10 | +12 | +11 |
| 1Q-04 | +6 | +8 | +7 | +8 |
| 4Q-03 | +5 | +4 | +6 | +6 |
| 3Q-03 | +5 | +7 | +9 | +9 |
| 2Q-03 | +4 | +12 | +13 | +16 |
| 1Q-03 | +4 | +7 | +7 | +10 |
| 4Q-02 | +4 | +11 | +13 | +14 |
| 3Q-02 | +1 | +14 | +14 | +13 |
| 2Q-02 | +4 | +13 | +13 | +15 |
| 1Q-02 | +4 | +9 | +13 | +15 |
| 4Q-01 | +7 | +2 | (5) | (6) |
| 3Q-01 | +9 | +8 | +8 | +7 |
| 2Q-01 | +7 | +3 | +6 | +10 |
| 1Q-01 | +4 | (2) | 0 | +2 |
| 4Q-00 | +3 | +5 | +5 | +9 |
| 3Q-00 | +3 | +6 | +7 | +12 |
| 2Q-00 | +3 | +6 | +6 | +11 |
| 1Q-00 | +4 | +9 | +10 | +12 |
| 4Q-99 | +3 | +8 | +12 | +13 |
| 3Q-99 | +2 | +8 | +9 | +12 |
| 2Q-99 | +1 | +6 | +7 | +9 |
| 1Q-99 | +2 | +6 | +7 | +11 |
| 4Q-98 | (1) | +2 | +4 | +4 |
| 3Q-98 | +2 | +6 | +8 | +12 |
| 2Q-98 | +1 | +7 | +8 | +10 |
| 1Q-98 | +2 | +9 | +10 | +13 |

| Sales | Sales | Pre-tax Income | Net Income | E.P.S. |
|---|---|---|---|---|
| 4Q-97 | +1% | +10% | +11% | +13% |
| 3Q-97 | +2 | +10 | +11 | +13 |
| 2Q-97 | +4 | +10 | +13 | +14 |
| 1Q-97 | +1 | +9 | +11 | +13 |
| 4Q-96 | +6 | +9 | +10 | +12 |
| 3Q-96 | +5 | +12 | +13 | +13 |
| 2Q-96 | +3 | +12 | +14 | +16 |
| 1Q-96 | +6 | +9 | +10 | +12 |
| 4Q-95 | +5 | +10 | +10 | +11 |
| 3Q-95 | +8 | +12 | +13 | +14 |
| 2Q-95 | +10 | +12 | +13 | +14 |
| 1Q-95 | +9 | +10 | +12 | +13 |
| 4Q-94 | +12 | +8 | +8 | +10 |
| 3Q-94 | +9 | +8 | +6 | +8 |
| 2Q-94 | +6 | +7 | +6 | +8 |
| 1Q-94 | +5 | +7 | +6 | +8 |
| 4Q-93 | +4 | +6 | +6 | +7 |
| 3Q-93 | +4 | +6 | +5 | +8 |
| 2Q-93 | +4 | +2 | +4 | +5 |
| 1Q-93 | +5 | +10 | +11 | +12 |
| 4Q-92 | +6 | +12 | +15 | +14 |
| 3Q-92 | +9 | +15 | +16 | +17 |
| 2Q-92 | +3 | +6 | +7 | +7 |
| 1Q-92 | +1 | +7 | +10 | +9 |
| 4Q-91 | +3 | +11 | +14 | +13 |
| 3Q-91 | +2 | +9 | +9 | +9 |
| 2Q-91 | +9 | +19 | +17 | +13 |
| 1Q-91 | +10 | +17 | +14 | +13 |
| 4Q-90 | +13 | +26 | +21 | +18 |
| 3Q-90 | +12 | +19 | +18 | +17 |
| 2Q-90 | +9 | +10 | +12 | +11 |
| 1Q-90 | +7 | +9 | +12 | +11 |

(a) % change versus prior year. Excludes nonrecurring gains and charges.

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Table 6 summarizes quarterly operating results for the leading packaged-foods companies since 1990. The data show that over that period, on a median basis, sales generally have increased in the low to mid single digits, pretax income for most periods gained more than sales (i.e., margins expanded), and in the rare instances when margins came under pressure they soon recovered, reflecting corrective actions by the managements. As the companies used free cash flow to retire shares, EPS have typically risen at double-digit rates. In fact, in the 63 quarters shown by the table, EPS showed a year-to-year decline only once (4Q-2001), and have risen at single-digit rates only 17 times.

A number of factors, including the maturity of the industry and difficult business conditions in Europe, may make it hard to duplicate those results, although as a partial offset, free cash flow for many of the companies is higher than ever, leading to an increased emphasis on share buybacks. While it may be a challenge for most food companies to achieve double-digit EPS growth going forward, we believe the same formula will continue to generate attractive results: moderate sales growth, gradually expanding profit margins, and faster growth in EPS than in net income.

**Recommended Stocks**

The following are brief comments on our most favored food stocks, rated “1” (Strong Buy). More detailed discussions may be found in our past reports, which are listed at the end of each paragraph. These are available on the Shields & Company website at www.shieldsandco.com, or by calling me at (212) 651-0815 or my assistant, Linda Pietronigro, at (212) 320-3057 (linda.pietronigro@shieldsandco.com).

**Leading Brand-Name Food Companies**

**ConAgra Foods** (CAG), selling at close to a 4 ½-year low, in our opinion has minimal downside risk, while the upside from here could be substantial, as the new CEO, Gary Rodkin (ex-General Mills and PepsiCo), carries out the strategies begun several years ago under his predecessor, Bruce Rohde, to transform this from a food and agriproducts conglomerate into one of the nation’s premier branded food companies. Earnings have been held down recently by disappointing volume, rising input costs, and difficult prior-year comparisons, but corrective action is being taken, and we look for improved results starting in the February quarter. We expect that over the next few months, as positive earnings comparisons resume and as Mr. Rodkin spells out his plans and goals in greater detail, the shares will attract renewed buying interest. The present depressed price is 33% below the January 2005 high, and in our view represents an attractive entry point, with the 5.4% dividend yield adding to the appeal. 12-24 month target $28-$30. Previous reports: 1/21, 3/4, 5/20, 7/8, 9/14, 9/29, 12/13/05.

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**General Mills** (GIS) in our view is on its way to regaining its long-held reputation as one of the nation's most successful packaged-foods marketers, now that the 2001 acquisition of Pillsbury has been fully integrated and its brands are performing well, while the important breakfast cereal division is rebounding after a temporary loss of market share. The addition of PSY significantly broadened the company's product and geographic scope, thereby enhancing its growth potential. In addition, debt has been reduced dramatically since the merger, and GIS's rising free cash flow is now being used mainly for share repurchases. Despite a healthy recovery from last September's low, the shares remain in an attractive buying range. 12-month target $56-$57. Previous reports: 1/21, 3/4, 6/30, 9/29/05.

**Heinz** (HNZ) three years ago divested several major U.S. businesses that accounted for 19% of worldwide sales, but had below-average profit margins, predictability, and growth potential. Since then, the ongoing domestic operations have achieved healthy growth in sales and earnings, despite the well-publicized cost pressures that have affected all food companies. Now, management is pursuing a similar weeding-out process in the international area, with the pending sale of four underperforming, non-core businesses in Europe and New Zealand, representing 15% of total sales. We expect that, as in the case of the domestic reorganization, this step will lead to accelerated growth for the ongoing operations, as HNZ sharpens its focus on its most promising products and markets. It should also enhance the image of Heinz as one of the world's top-tier food companies. Like most of its peers, HNZ has underperformed for the past two years, but we expect the shares to strengthen as industry margins recover, and as the benefits of the international reorganization become recognized. Its valuation is reasonable, and the 3.5% yield is well above average. 12-month target $40-$41. Previous reports: 6/2, 9/22, 9/29, 11/29/05.

**PepsiCo** (PEP) continues to distinguish itself as one of the most dynamic brand-name consumer goods companies in the world. As the growth of the U.S. carbonated beverage and salty snack markets slowed over recent years, PEP responded effectively by broadening its product scope, adding more high-value lines, and aggressively expanding internationally. Its ongoing momentum is indicated by its gains of 10% in revenues and 16% in EPS for the year to date, far above other food and beverage companies, despite inflation pressures. Management's increased earnings guidance implies healthy 4Q EPS growth of 9%-10%, excluding the impact of an extra week. Our 2006 estimate is $2.95, indicating growth of 11% on a 52-week basis. We remain confident of PEP's ability to continue outperforming its peers, particularly in view of the increasing importance of its rapidly-growing international operations, which accounted for 34% of sales and 25% of profits for the first nine months of 2005, up from 33% and 22% a year ago. Parenthetically, the company has a debt-free balance sheet, and a substantial share buyback program. Its premium valuation is well justified. 12-month target $66-$67. Previous reports: 1/21, 2/9, 3/4, 7/21, 10/5/05.

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**Sara Lee** (SLE) on February 10, 2005, announced a major transformation plan aimed at repositioning the company to "compete more successfully in the marketplace" and to "generate consistent, long-term topline growth and bottomline profitability for our shareholders." The plan involves the reorganization of SLE's North American food and beverage activities, wide-ranging cost reduction programs, the divestiture of a number of underperforming or non-core operations with annual sales of $3.6 billion, and the eventual spinoff of the $4.5 billion a year U.S. apparel business to shareholders on a tax-free basis as a freestanding public company. SLE also announced the promotion of President Brenda Barnes to the position of CEO, as well as other management changes. The shares rose sharply on the announcements, reaching a daily high of $24.61, on near-record volume. Subsequently, they declined almost continuously for months, and despite some recovery recently, they still trade 24% below that price. While acknowledging the concerns of investors, including disappointing earnings and the complexities of the transformation plan, we believe it is time for a fresh look. The divestiture/ spinoff program is approaching completion, earnings prospects are improving, the company is financially strong and is repurchasing shares aggressively, and the stock appears reasonably priced based on continuing operations. 12-month target $22-$23. Previous reports: 1/21, 1/28, 2/14, 3/4, 3/17, 11/10/05.

**Foodservice Distributors**

**Performance Food Group** (PFGC) in our opinion is one of the most attractive growth companies in our universe, with prospects for solid double-digit EPS gains as it continues to increase its market share while expanding its profit margins. With annual sales approaching $6 billion, it is the number three distributor of food and other supplies to foodservice operators, a fragmented industry in which it has had a track record of healthy growth, both internally and through acquisitions, since its founding in 1987. Having sold its Fresh Express produce business for an attractive price last June, and then used the proceeds to pay off all of its debt and repurchase nearly 30% of its stock, PFGC is again entirely focused on its original business, where we expect accelerated growth as it steps up its acquisition efforts in the Broadline segment and adds new chain accounts in the Customized division. The "new" PFGC is off to a strong start, with growth from continuing operations of 12% in sales and 27% in net income for the first nine months of 2005. Selling 18% below its October peak, the stock is back in a buying range. 12-month target $34-$35. Previous reports: 3/31, 5/26, 8/8/05.

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**SYSCO Corporation** (SYY), with annual sales of $30 billion, is the leading marketer of food and other supplies to restaurants and other foodservice customers, and in our opinion one of the most promising large-cap growth companies in the food industry. Despite its size, it still accounts for only 14% of this fragmented industry, and we expect management to continue achieving market share gains and solid double-digit EPS growth for years to come. The company has a strong balance sheet and generates substantial excess cash, which is being used to enhance shareholder value through its long-established share repurchase program and generous dividend increases. The share price peaked at $41+ in March, 2004, and since then has fluctuated in a $30-$38 range, reflecting a temporary slowing of volume growth, which has now picked up again, and more recently cost pressures related to higher energy prices, the Gulf Coast hurricanes, startup expenses at a major new distribution center, and the expensing of stock options. Our confidence in SYY, its management and its long-term growth potential is undiminished, and we expect that purchases at this price will prove highly rewarding. 12-month target $39-$40. Previous reports: 2/4, 3/24, 5/12, 8/18, 10/12, 11/4/05.

**Mid-Cap Food Companies**

**Dean Foods** (DF) is the nation's leading processor and distributor of dairy products, and one of the most dynamic companies in the food industry. Management's strategy is to invest the earnings and cash flow from its slow-growth fresh milk business to build its high-margin White Wave Foods division (Silk, Horizon Organic, International Delight, Land O'Lakes), which has much higher growth potential. That unit, with annual sales approaching $1.4 billion, is becoming a significant profit contributor, accounting for 14% of segment income in the first nine months of 2005, up from 9% a year ago. Dairy profits also were strong, after a weak 2004, while investors also responded favorably to the spinoff of the noncore Specialty Foods Group (now TreeHouse). Thus, as noted earlier, Dean's shares, adjusted for the spinoff, rose 39% last year. The resulting expansion of the forward P/E ratio from 13.9 times a year ago to today's 17.7 times estimated 2006 EPS dims our enthusiasm somewhat, but we continue to believe the shares are worth owning, based on our confidence in management and in DF's growth potential. 12-month target $42-$43. Previous reports: 1/21, 2/1, 5/18/05.

**Del Monte Foods** (DLM) continues to manage its businesses well, but like most other food companies has been adversely affected by rising costs for packaging, energy, transportation and other inputs. Thus, sales for the six months ended October showed a healthy 5.5% increase, mostly reflecting higher prices, but operating income declined 3%. Thanks to the use of free cash flow to reduce debt and repurchase shares, EPS increased 7%, and exceeded management's guidance, but the company recently stated that EPS for the April 2006 fiscal year will likely be at the low end of the projected $0.75-$0.80 range, citing further cost pressures. Nevertheless, we continue to expect a gradual recovery in profit margins to historical levels through further pricing actions and efficiency gains, as well as an eventual easing of inflation. Based on the present annual sales of $3.3 billion, we project recovery

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earning power at $1.10 per share, and expect that the stock, which has traded between $10 and $11 for two years, will rise to new highs in response. The company is strong financially, having reduced its net debt by 25%, or $400 million, since the Heinz acquisition three years ago, despite repurchasing 12 million shares (6% of the total) for $125 million last June. In addition, last month DLM declared its first cash dividend, amounting to $0.16 per share annually. We consider DLM one of our best buy ideas among the mid-cap food companies at this time. 12-month target $13-$14. Previous reports: 1/21, 3/4, 7/20, 9/29, 12/7/05.

**Smucker** (SJM), in our opinion one of the best managed companies in the food industry, has tripled its size in the past four years through the purchase of the Crisco and Jif businesses from P&G in 2002, and the acquisition of International Multifoods in 2004. All of the new operations have been effectively integrated, and add to SJM's long-term potential, in our view. Earnings declined in the July quarter, but both sales and earnings rose to record highs in F2Q (October). Most of its key product lines achieved higher sales in the quarter, while profit margins improved, year over year, despite higher commodity and freight costs. Management expressed caution about F2H, based on further increases in the cost of natural gas, freight, and plastic packaging, and, despite ongoing cost reductions and pricing actions, shaded its projection of EPS growth for F2006 (April) from 8% to 5%-8%, implying $2.73-$2.81, versus $2.60 last year. On the announcement, the shares sold off to their lowest price in a year, and after a partial recovery sank to another new low of $43.64 before rallying to their present price. We view this as an attractive buying opportunity, based on our confidence in the management and on the expectation of healthy earnings growth over the next several years, as profit margins for SJM and other food companies recover to more normal levels, and as SJM realizes the full benefits of the IMC acquisition. 12-month target $52-$53. Previous reports: 1/14, 1/21, 3/4, 8/25, 9/29, 11/22/05.

**TreeHouse Foods** (THS) is the new public company established in June when Dean Foods spun off its Specialty Foods Group to shareholders. The shares initially traded at a generous valuation, reflecting investors' confidence in the new management team, headed by Sam Reed, the former CEO of Keebler Foods, and the expectation that he and his associates would repeat their success in turning KBL around and building it through strategic acquisitions. However, the shares weakened in September and October, and then collapsed in November in response to an unexpectedly weak earnings report. Since then, they have languished, and currently trade 44% below their high of $33.50, as well as 36% lower than the $29.65 base price for management's restricted stock. It will take time for the company to get back on track, but we believe this is an attractive entry point, based on estimated recovery earning power of $1.60-$1.65, and our opinion that this could be one of the most interesting companies in the food industry in the years ahead. 12-month target $23-$24. Previous reports: 9/1, 11/30/05.

**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, H.J. Heinz, PepsiCo, Performance Food Group, Sara Lee, Sensient Technologies, J.M. Smucker, SYSCO Corporation, and TreeHouse Foods.

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.

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.

Other Del Monte Foods reports issued by me are: 3/4/05 ($11) – Strong Buy – Target $13-$14; 7/20/05 ($11.20) – Strong Buy – Target $13-$14; 9/29/05 ($10.70) – Strong Buy – Target $13-$14; 12/7/05 ($10.20) – Strong Buy – Target $13-$14.

Other General Mills reports issued by me are: 3/4/05 ($52) – Strong Buy – Target $60-$61; 6/30/05 ($47) – Strong Buy – Target $56-$57; 9/29/05 ($47.40) – Strong Buy – Target $56-$57.

Other H.J. Heinz reports issued by me are: 6/2/05 ($36.50) – Strong Buy – Target $42-$43; 9/22/05 ($34.50) – Strong Buy – Target $39-$40; 9/29/05 ($36.60) – Strong Buy – Target $39-$40; 11/29/05 ($35.50) – Strong Buy – Target $40-$41.

Other PepsiCo reports issued by me are: 2/9/05 ($55) – Strong Buy – Target $62-$63; 3/4/05 ($54) – Strong Buy – Target $62-$63; 7/21/05 ($54.60) – Strong Buy – Target $63-$64; 10/5/05 ($57.50) – Strong Buy – Target $66-$67.

Other Performance Food Group reports issued by me are: 3/31/05 ($27.30) – Strong Buy – Target $34-$35; 5/26/05 ($27) – Strong Buy – Target $34-$35; 8/8/05 ($28.70) – Strong Buy – Target $34-$35.

Other Sara Lee reports issued by me are: 1/28/05 ($23.15) – Strong Buy – Target $27-$28; 2/14/05 ($23.50) – Strong Buy – Target $29-$30; 3/4/05 ($22.50) – Strong Buy – Target $29-$30; 3/17/05 ($21.20) – Strong Buy – Target $29-$30; 11/10/05 ($17.90) – Strong Buy – Target $21-$22.

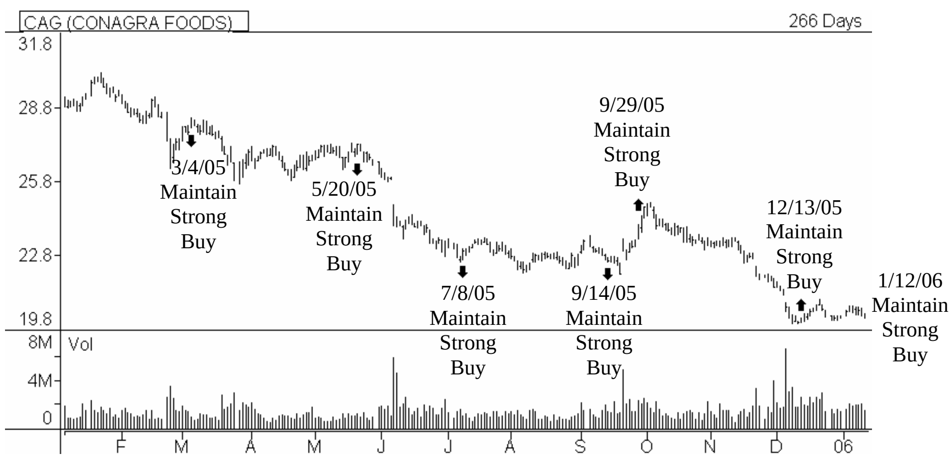
Other J.M. Smucker reports issued by me are: 1/14/05 ($46) – Strong Buy – Target $54-$55; 3/4/05 ($51) – Strong Buy – Target $56-$57; 8/25/05 ($47.30) – Strong Buy – Target $56-$57; 9/29/05 ($48.30) – Strong Buy – Target $56-$57; 11/22/05 ($45) – Strong Buy – Target $52-$53.

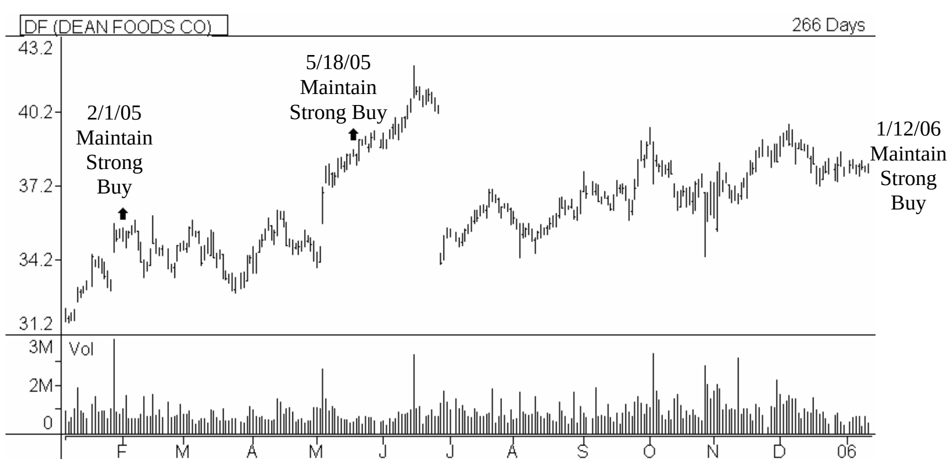
Other SYSCO Corporation reports issued by me are: 2/4/05 ($34.75) – Strong Buy – Target $44-$45; 3/24/05 ($34.40) – Strong Buy – Target $44-$45; 5/12/05 ($36) – Strong Buy – Target $44-$45; 8/18/05 ($34) – Strong Buy – Target $41-$42; 10/12/05 ($32) – Strong Buy - Target $41-$42; 11/4/05 ($30) – Strong Buy - Target $39-$40.

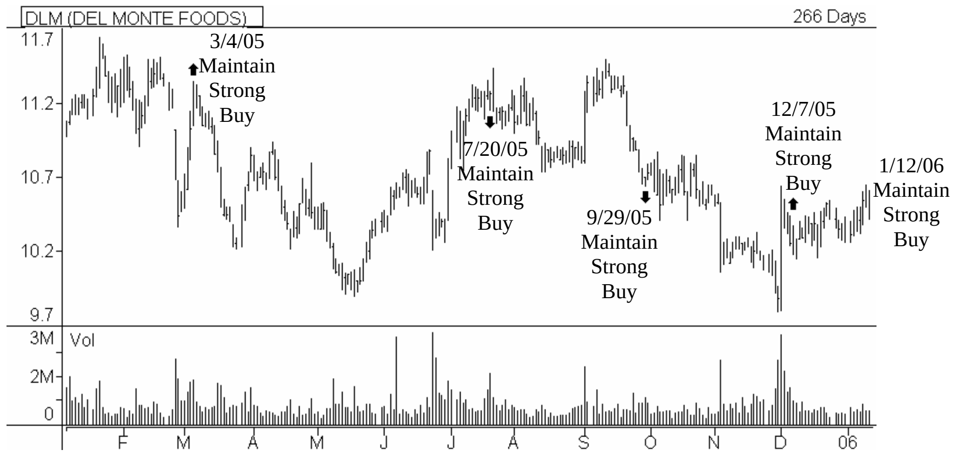
Other TreeHouse Foods reports issued by me are: 9/1/05 ($30) – Buy – Target NA; 11/30/05 ($19.80) - Strong Buy – Target $23-$24.

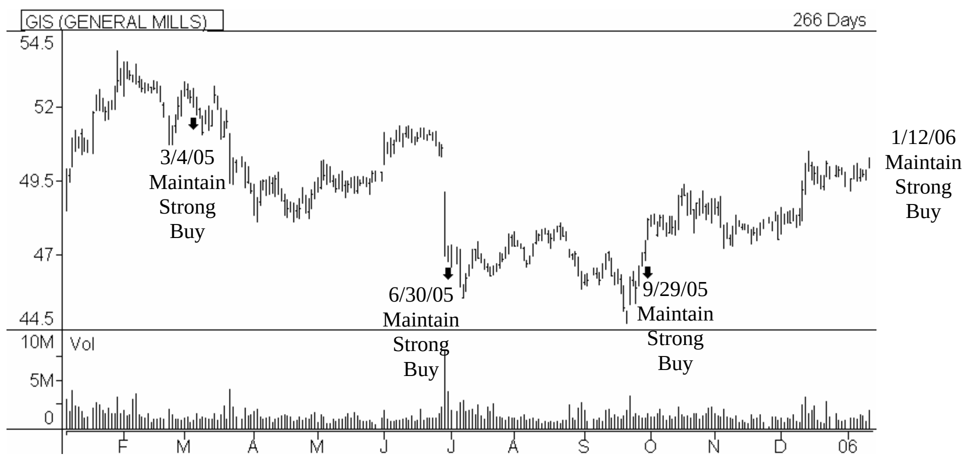
**Guide to Investment Ratings and Target Prices:**

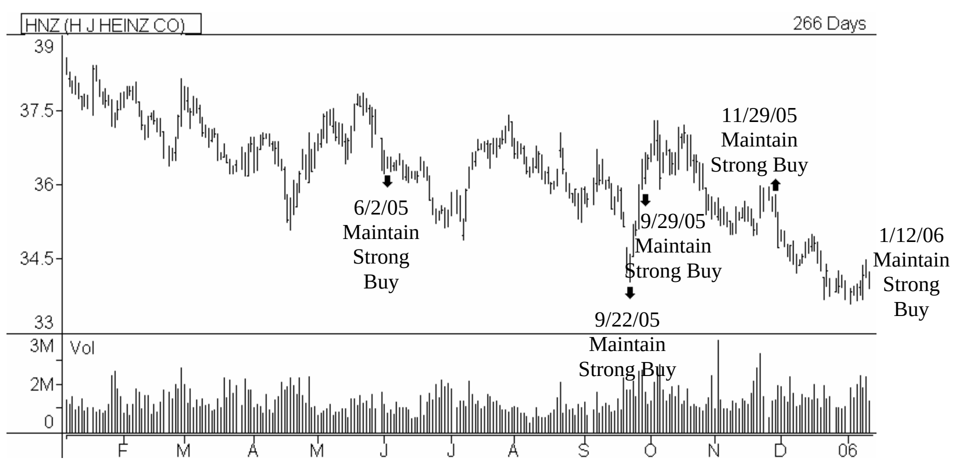
**Strong Buy ("1").** The stock's total return is expected to exceed significantly the average total return of the analyst's industry coverage universe over the next 12 months.
**Buy ("2").** The stock's total return is expected to exceed the average total return of the analyst's industry coverage universe 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, 65% are rated Strong Buy, 0% 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.

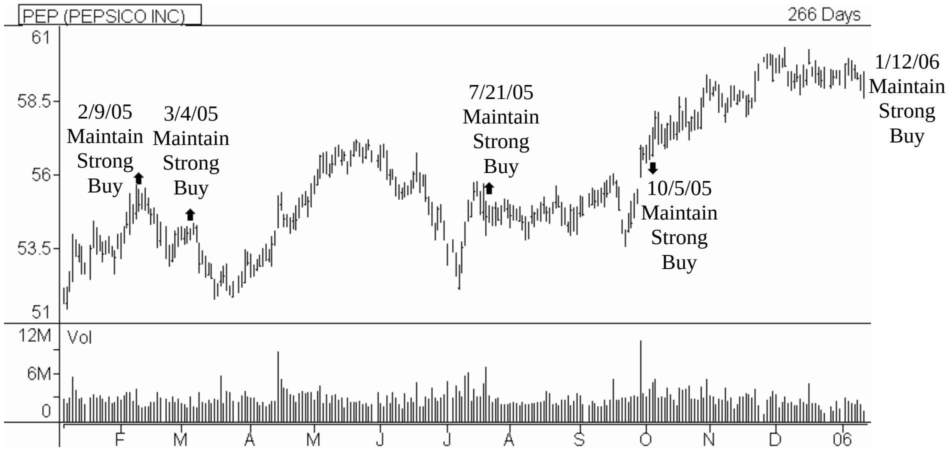


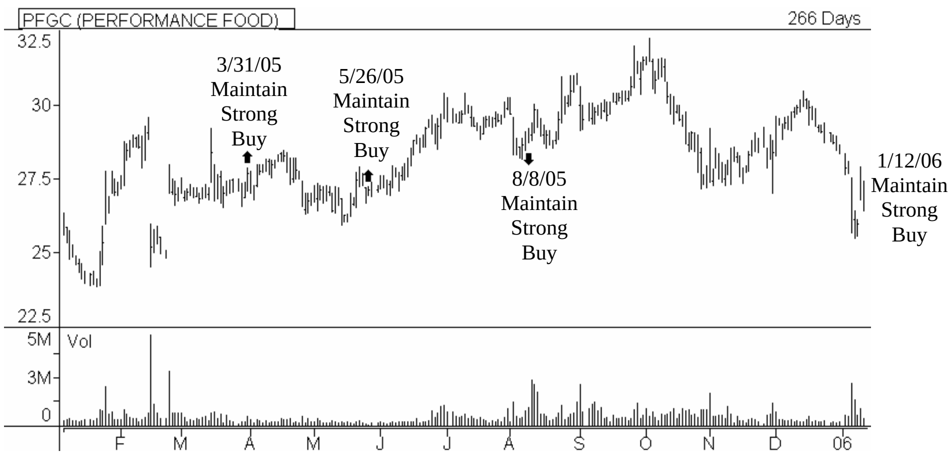



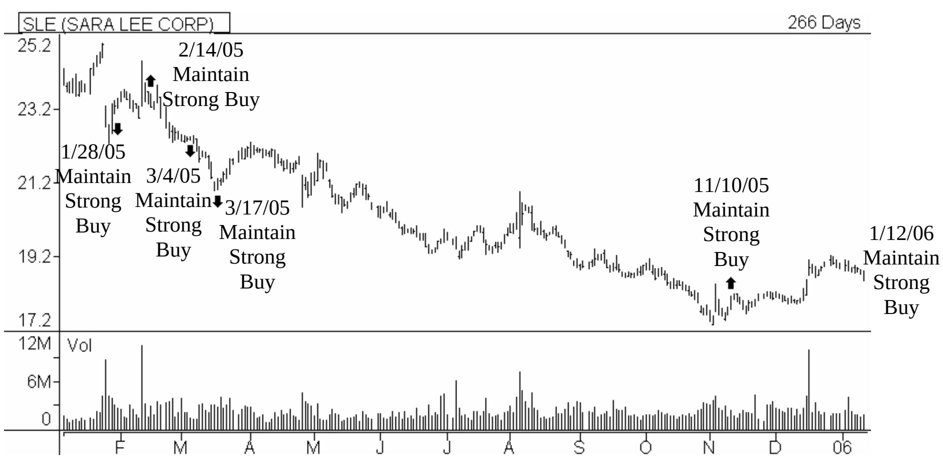

DLM (DEL MONTE FOODS)
266 Days
3/4/05 Maintain Strong Buy
7/20/05 Maintain Strong Buy
9/29/05 Maintain Strong Buy
12/7/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy
Vol
F M A M J J A S O N D 06

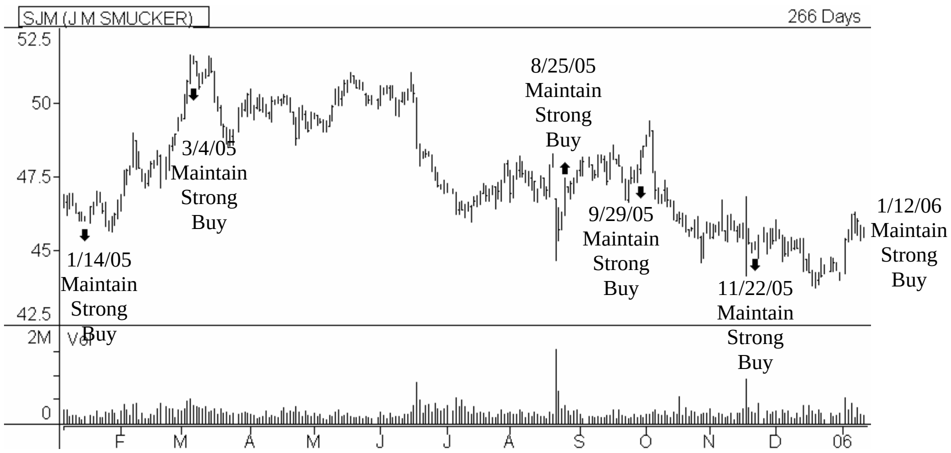

GIS (GENERAL MILLS)
266 Days
3/4/05 Maintain Strong Buy
6/30/05 Maintain Strong Buy
9/29/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy
Vol
F M A M J J A S O N D 06

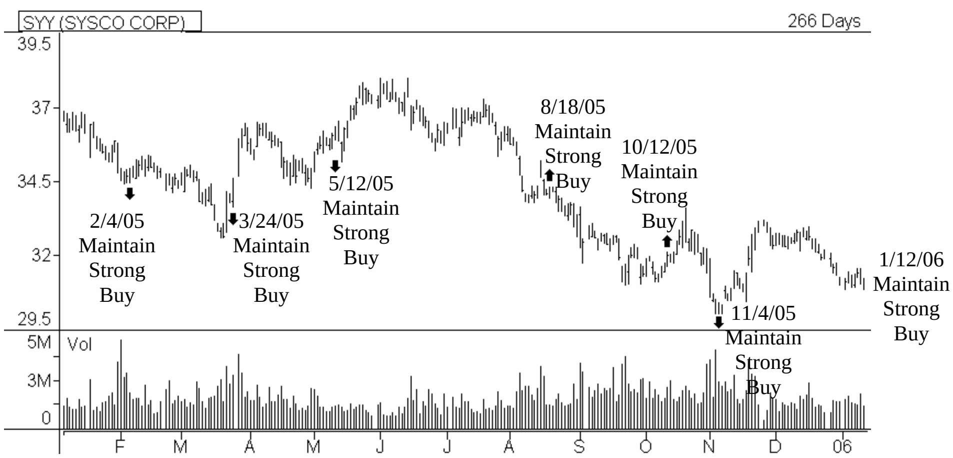

HNZ (H J HEINZ CO)
266 Days
6/2/05 Maintain Strong Buy
9/29/05 Maintain Strong Buy
9/22/05 Maintain Strong Buy
11/29/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy
Vol
F M A M J J A S O N D 06

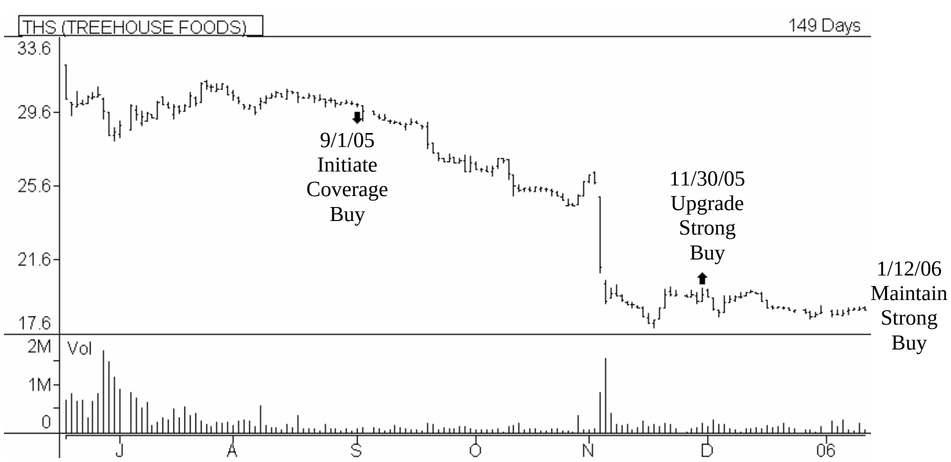

PEP (PEPSICO INC)
266 Days
61
58.5
56
53.5
51
12M
6M
0
Vol
F M A M J J A S O N D 06
2/9/05 Maintain Strong Buy
3/4/05 Maintain Strong Buy
7/21/05 Maintain Strong Buy
10/5/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy


PFGC (PERFORMANCE FOOD)
266 Days
32.5
30
27.5
25
22.5
5M
3M
0
Vol
F M A M J J A S O N D 06
3/31/05 Maintain Strong Buy
5/26/05 Maintain Strong Buy
8/8/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy


SLE (SARA LEE CORP)
266 Days
25.2
23.2
21.2
19.2
17.2
12M
6M
0
Vol
F M A M J J A S O N D 06
2/14/05 Maintain Strong Buy
1/28/05 Maintain Strong Buy
3/4/05 Maintain Strong Buy
3/17/05 Maintain Strong Buy
11/10/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy


SJM (J M SMUCKER)
266 Days
52.5
50
47.5
45
42.5
2M
Vol
0
F
M
A
M
J
J
A
S
O
N
D
06
1/14/05 Maintain Strong Buy
3/4/05 Maintain Strong Buy
8/25/05 Maintain Strong Buy
9/29/05 Maintain Strong Buy
11/22/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy


SYY (SYSCO CORP)
266 Days
39.5
37
34.5
32
29.5
5M
Vol
3M
0
F
M
A
M
J
J
A
S
O
N
D
06
2/4/05 Maintain Strong Buy
3/24/05 Maintain Strong Buy
5/12/05 Maintain Strong Buy
8/18/05 Maintain Strong Buy
10/12/05 Maintain Strong Buy
11/4/05 Maintain Strong Buy
1/12/06 Maintain Strong Buy


THS (TREEHOUSE FOODS)
149 Days
33.6
29.6
25.6
21.6
17.6
2M
Vol
1M
0
J
A
S
O
N
D
06
9/1/05 Initiate Coverage Buy
11/30/05 Upgrade Strong Buy
1/12/06 Maintain Strong Buy

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