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(Includes Agribusiness)

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CURRENT ENVIRONMENT

Economic environment improves, but still soft

Since the 2008–2009 recession, the US economy has been showing signs of slow but steady improvement, with unemployment declining and the housing market rebounding. In addition, higher stock market prices have boosted the wealth of many Americans (at least on paper). It has been five years since this turning point in the global economy, and while most economic indicators are showing signs of improvement, it is evident that the level of growth achieved post-recession is lower than pre-recession growth.

The latest data from the Bureau of Labor Statistics (BLS) reveals that US employment declined to 5.8% in October 2014, down from 7.2% on a year-on-year basis. While this is the lowest unemployment rate since 2009, the decline is supported by a declining US workforce with a labor-force participation rate of 62.8% in October—the lowest in 36 years. As of October 2014, Standard & Poor's Economics (which operates separately from S&P Capital IQ) expects the unemployment rate to reach 6.2% and 5.7% in 2014 and 2015, respectively.

Meanwhile, real average hourly earnings in September 2014 stood at $8.84, up 0.7% from the prior-year period, whereas the Consumer Price Index (CPI) reached 1.7% in the 12 months ending September 2014. This indicates that inflation is rising faster than wages, resulting in pinched budgets. Accentuating the economic pressure on consumer spending, unemployment benefits, which have served as a lifeline for 1.3 million long-term unemployed Americans since 2008, expired in December 2013. As of the end of August 2014, the number of individuals who qualified for unemployment benefits increased to 2.96 million.

Reflecting the slow growth of the US economy, real gross domestic product (GDP) reached 2.2% in 2013, which S&P Economics projected, as of October 2014, would remain flat in 2014 and increase to 3.0% in 2015. Overall, we expect the slow economic growth to create pressure on consumer spending, which will affect demand for food and beverage products.

Greater economic pressure on middle- and lower-income consumers, albeit improving consumer confidence
While it is clear that the US economy has entered a slow-growth period, greater economic pressure has been placed on middle- and lower-income consumers. This pressure will sustain the frugal consumer behavior evident today, which is noteworthy because these consumers spend a large percentage of their income on food and beverages. The economic environment may be on an upward trend in 2014, but the middle- and lower-income consumers are getting the rough end of the stick.

Economic recovery in the US is reflected in housing activity. In September 2014, new-home sales reached 467,000—a six-year high and indicative of the housing market getting back on track. In addition, the S&P/Case-Shiller 20-City Composite Home Price Index reached 173.34 in July 2014, up 6.7% on a year-on-year basis. Notwithstanding these signs of housing recovery, middle- and lower-income individuals are not benefiting from this. According to *The New York Times* article published in October 2014, tight credit policies have kept deserving people from qualifying for mortgages, thereby preventing them from owning a home. Essentially, the housing slowdown among middle- and lower-income consumers is also likely to slow consumer spending, as houses are the biggest form of wealth; thus, we think their non-participation in the housing market negatively impacts confidence and therefore lowers spending by these consumers.

Meanwhile, we have seen improvement in stock market prices. In the week ending October 24, 2014, the US stock market experienced the best week in nearly two years, according to *The New York Times*. Favorable stock markets can help boost consumer confidence, which is created by the wealth effect. However, lower-income individuals are not participating in these near record high stock prices, as they spend their money on basic commodities before investing.

Aside from food purchases, gas is a major component of consumer spending. As of November 11, 2014, domestic gas prices averaged $2.89 per gallon, a 10% decline from $3.21 per gallon in the prior year, according to AAA, a nonprofit federation of motor clubs throughout North America. Sustained lower gas prices should provide a boost to consumer spending in the next months.

Overall, increasing home prices and the wealth effect associated with higher stock prices, together with lower gas prices, have contributed to favorable consumer sentiment. According to September 2014 data from the Bureau of Economic Analysis (BEA), personal consumption expenditures declined 0.2%, compared with a 5% increase in the previous month. However, middle- and lower-income individuals have lower levels of disposable income. In addition, the Supplemental Nutrition Assistance Program (SNAP) benefits cuts have hurt low-income households, hence reducing their spending.

The implementation of the Agricultural Act of 2014, also known as the 2014 United States Farm Bill, has paved the way for the modification of SNAP, or the food stamp program. This modification is expected to lead to an $8.7 billion benefit reduction over the next 10 years. Compared with the $5 billion benefit cuts incurred in November 2013, cuts that will be made between November and December 2014 are less. Even so, due to ongoing difficulties faced by SNAP recipients, these consumers will continue to cut expenses in more ways than by just reducing grocery bills.

Overall, S&P Capital IQ (S&P) thinks that despite growing consumer confidence driven by the housing recovery, a strong stock market, and lower gas prices, SNAP benefit cuts will reduce consumer spending in low-income households. Consumers are likely to seek value products and look for lower-priced private label alternatives, particularly if an increase in food cost inflation results in higher shelf prices.

FOOD COST INFLATION MODERATES

Prospective plantings of corn, soybean, and all wheat and cotton are set to move in different directions, according to the US Department of Agriculture's (USDA) "Prospective Plantings Report" published in March 2014 (latest available). In a downward trend, corn planted area is estimated at 91.7 million acres, 4% less than last year. This would make corn acreage in 2014 the lowest since 2010, albeit the fifth-largest corn acreage since 1944. Soybean planted area in 2014 is estimated at 81.5 million acres, 6% more than last year. All wheat planted area for 2014 is projected at 55.8 million acres, a decline of 1% from last year. Finally, all cotton planted area is on an upward trend with an estimated 11.1 million acres, 7% higher than last year.

US COMMODITIES PRICES

	2012		2013		2014	
	MAR.	SEP.	APR.	SEP.	MAR.	SEP.
AGRICULTURE INPUTS						
Wheat (¢/bushel)	765.0	982.5	880.0	835.0	887.0	709.8
Corn (¢/bushel)	643.0	758.0	675.8	420.0	461.0	315.0
Soybeans (¢/bushel)	1,347.2	1,681.5	1,416.4	1,365.4	1,420.7	1,009.6
Soybean oil (¢/lb.)	53.4	53.8	49.3	42.1	40.8	34.0
Sugar (¢/lb.)	24.7	19.6	17.7	17.5	17.6	14.6
Milk ($/cwt)	17.2	19.7	19.5	19.8	25.4	25.0
PACKAGING INPUTS						
Unbleached kraft board ($/ton)	1,030.0	1,030.0	1,025.0	1,115.0	1,115.0	1,116.5
Recycled folding boxboard ($/ton)	920.0	880.0	905.0	955.0	955.0	955.0
ENERGY INPUTS						
Crude oil ($/barrel)	103.0	92.2	93.5	102.3	100.5	93.0
Natural gas ($/mil. Btu)	2.2	2.8	4.1	3.7	4.9	3.9

Sources: US Department of Agriculture; *Pulp & Paper Week; Wall Street Journal*.

The S&P Goldman Sachs Commodity Index (GSCI) Corn Index declined 17.7% year to date through October 28, 2014, along with indices for lean hogs (5.9%), soybeans (5.7%), sugar (33.4%), and wheat (27.8%). The S&P GSCI Coffee Index saw a year-to-date increase of 62.8%. Despite the significant increase of the Coffee Index, the GSCI Agriculture Index plummeted 11.7% on a year-on-year basis as of October 28, 2014.

Prices hikes for coffee, cocoa, and proteins

In the first nine months of 2014, food prices were on an upward trend. Among different commodities experiencing high inflation, coffee, cocoa, and meat are taking the greatest hit.

Most significantly, the CPI rose 13.0% for meats on a year-on-year basis in September 2014, largely attributed to the rise in the index for beef and veal (13%), and pork (17.8%). Drought conditions in the Western US have added pressure to meat prices, as these conditions make it difficult for farmers to cheaply feed their animals in pastures and have raised the cost of cattle and beef. We think this will harm meat consumption.

While nonalcoholic beverages and beverage materials saw low inflation at 0.2%, coffee jumped 2.7% on a year-on-year basis in September 2014. In response to rising inflation, several companies have adjusted their prices. For example, coffee manufacturers, including The J.M. Smucker Co., Keurig Green Mountain, Inc., and Kraft Foods Group, Inc. (manufacturer of Maxwell House), increased their coffee prices between the second and third quarters of 2014. J.M. Smucker and Keurig hiked their coffee prices 9% in June and August. For the first time in more than three years, Kraft increased its coffee prices 10% in June 2014. In addition, Starbucks Corp. decided in July 2014 to increase its tall and venti lattes by $0.10 and $0.20, respectively.

Not to be outdone in terms of price increases, cocoa prices have been on an upward trend, according to data compiled by the International Cocoa Organization (ICCO). In September 2014, the ICCO daily price average reached $3,394 per ton, up 24% from the year-ago period. Evidently, these commodities will potentially increase different food and beverage products. In response to cocoa price increases, chocolate manufacturers, Hershey Co. and Mars, Inc., hiked their prices 8% and 7%, respectively, in June 2014.

Rising produce prices in 2015

While commodity cost is reflective of the current market for a product, such cost is only a small component of the total cost incurred in producing it. This has caused shelf inflation (the change in prices in supermarkets) to be lower than commodity inflation. Other costs considered in the determination of the final shelf price for a product include transportation, packaging, labor, and other administrative expenses. As of September 2014, the CPI of food-at-home items or food items purchased in groceries or supermarkets rose 3.2% on a year-on-year basis, and prices are expected to increase in 2015.

CHANGE IN CONSUMER PRICE INDEXES FOR FOOD
(Year-to-year percent change)

						SEPTEMBER	
	2009	2010	2011	2012	2013	2013	2014
Food at home	0.8	0.0	4.8	2.5	0.9	1.0	3.2
Cereal & bakery products	3.4	(1.0)	3.9	2.8	1.0	1.6	(0.1)
Meats, poultry, fish & eggs	0.1	1.4	7.4	3.5	2.1	2.9	9.4
Dairy & related products	(6.0)	0.7	6.8	2.1	0.1	0.8	4.9
Fruits & vegetables	(1.9)	(0.1)	4.1	(0.6)	2.5	3.0	0.9
Nonalcoholic beverages	2.1	(1.1)	3.2	1.1	(1.0)	(1.8)	0.2
Sugar & sweets	5.4	2.4	3.3	3.3	(1.7)	(2.7)	0.9
Fats & oils	2.8	(0.9)	9.3	6.1	(1.4)	(2.1)	2.0
Other prepared foods	3.9	(0.6)	2.3	3.5	0.5	(0.0)	1.7
Food away from home	3.3	1.5	2.3	2.8	2.1	1.9	2.7
All Food	1.9	0.7	3.7	2.6	1.4	1.4	3.0

Source: US Bureau of Labor Statistics.

Aside from commodity costs, there are other costs that could shoot up food inflation in supermarkets. As food manufacturers employ people who contribute to their business operations, changes in wages affect production costs. In September 2014, the BLS reported a 2.1% year-on-year increase in wages and salaries. In addition, the cost of packaging also affects product cost. According to a September 2014 article in *IBISWorld*, prices of paper and packaging products are on the rise, with packaging services rising at an annualized rate of 2.5% in the three years ending 2017.

Overall, we expect US food inflation in supermarkets to rise in 2015, as different components of product development cost are also on the rise. Passing some costs to consumers will protect the margins of companies, but may tamper demand for their products, given frugal consumer behaviors.

Weak consumer spending shows negative impact

As reflected in the current economic environment, while there is growing consumer confidence driven by the housing recovery, strong stock market, and lower gas prices, the SNAP benefit cuts will temper the consumer spending of low-income households. The rising commodities that manufacturers pass on to consumers by raising the price of their products also influence this. According to a Gallup article published in October 2014, spending among Americans has declined. For upper-income Americans, daily spending dropped to $140 in September 2014 (compared with $146 in the same period last year), whereas daily spending of middle- and lower-income Americans dropped to $77.

Meanwhile, in the first nine months of 2014, food and beverage stores reported sales of $493.97 billion, up 2.7% compared with the year-ago period. While there seems to be an increase in food and beverage store sales, there is still a challenging consumer-spending environment.

IMPACT OF LIFESTYLES AND SOFT ECONOMY ON CONSUMER FOOD BEHAVIOR

Higher prices and a weak economy have prompted some changes at the consumer level. We see private label foods remaining in high demand, as cost-conscious consumers trade down to less expensive products in some categories. We also expect a continued shift in where people shop, with consumers cutting their visits to malls and doing more shopping online, at discount stores, and at warehouse clubs. Also gaining popularity are smaller package sizes, for health, economic, and demographic (smaller household sizes) reasons. Finally, with the influx of information online and the momentum toward the use of social media, we think that consumers are using these resources to ensure that they are making their purchases at the best available prices.

Demographics: driving changes in demand

Recent demographic changes in the US have shaped consumer food behavior. These changes include the growing population of Millennials (born between 1977 and 1995) who seek natural, organic, and whole foods. This has enabled different industry trends to take shape over the years. The Hartman Group's "Outlook on the Millennial Consumer 2014" revealed that this generation is the barometer for food culture in the US. The report also highlighted that Millennials have shifted away from processed foods toward fresh and healthy food.

The rising population of Millennials has influenced consumers to explore different grocery channels, as they shop the perimeter of the grocery store where fresh foods are located. According to National Grocers Association's (NGA) "SupermarketGuru Consumer Survey Report" published in February 2014, three-quarters of consumers surveyed found the perimeter to be the main draws of supermarkets.

With these trends, packaged food companies are facing increased competition, as they try to increase their visibility in the fast-growing perimeter categories. In an attempt to better position themselves in the market, some companies have turned to acquisitions. In June 2014, TreeHouse Foods Inc., a company specializing in private label packaged foods, agreed to buy Flagstone Foods, a private label trail-mix maker, for $860 million, which will allow the former to enter the healthy snacks category and shift focus to the perimeter of grocery stores. Similarly, Tyson Foods, Inc. completed its merger with The Hillshire Brands Co. in August 2014, positioning the company as a leader in the prepared foods business.

The US has seen an increase in the Hispanic population, the country's largest minority group. Hispanics have shown preference for spending on packaged foods rather than fresh food, according to the "Hispanic Food Shoppers in the US Report" published in June 2014. Ultimately, food and beverage manufacturers must be mindful of consumer preferences, as food trends differ for different population groups.

Another industry changer is the aging population. In the Census Bureau's May 2014 report, the population aged 65 and over was estimated at 43.1 million in 2012, and this is expected to increase to 83.7 million by 2050. Due to their fixed income, aging populations are more value conscious, and their changing dietary needs drive them to seek healthier food options.

What can be gleaned from Millennials and the aging population is the growing interest in healthy products. This could help explain the flat soda market and revenue declines for soft drink manufacturers, such as Coca-Cola Co. As health concerns strengthen, it is becoming more important for food and beverage manufacturers to explore healthier product offerings. Coca-Cola is jumping on the healthier image bandwagon. In August 2014, Coca-Cola entered a strategic partnership with Monster Beverage Corp.

through the purchase of a 16.7% equity stake for $2 billion, which will facilitate the transfer of Coca-Cola's energy drinks portfolio to Monster Beverage. In exchange, Monster Beverage will transfer its non-energy drinks portfolio to Coca-Cola. In May 2014, Coca-Cola became the largest shareholder of coffee maker, Keurig Green Mountain, providing an avenue for Coca-Cola to tap the faster-growing coffee category, which grew 8.3% in the first half of 2014 as compared with the 1.0% decline in carbonated soft drinks. In addition, Coca-Cola and Keurig launched organic bottle iced tea, Honest Tea.

S&P thinks the growing health concern will push other market players to offer healthier product options, as this is a way to expand demographic reach and hit profitability targets. Failure to take into account the fresh and healthy food consumer shifts will lead some companies to succumb to massive profit losses, as evidenced by some supermarket categories that are on the decline. Campbell Soup Co.'s US soup sales in fourth quarter of fiscal year 2014 (ended August 2014) declined 3.0% on a year-on-year basis. Dean Foods Co.'s milk sales suffered a 4.0% decline in the second quarter of 2014 compared with the year-ago quarter, as consumers tend to prefer healthier options, such as yogurt. According to consumer preference studies, the cereal category is taking a hit, but General Mills, Inc.'s Chex cereal brand has an advantage because it is gluten-free, genetically modified organism (GMO) free, and nut free.

Overall, consumer behavior is constantly changing, which is why industry players need to pay attention to the demographic shifts in the US market. The growing Millennial and aging population, as well as the increasing Hispanic population, requires aggressive new product development and multi-channel marketing strategies to effectively appeal to the different demographics.

Snacking: the importance of convenience

Snacking is clearly a growing industry. Global snack sales reached $374 billion annually as of March 2014, an increase of 2% year over year, according to the "Nielsen Global Survey of Snacking" published in September 2014. In North America alone, the snack industry reached $124 billion, up 2% from the previous year. The report also revealed that while respondents globally cited chocolate as their most frequent snack, chips are the most cited in North America. Other snack choices in North America include chocolate, cheese, cookies/biscuits, and fresh fruit. According to Nielsen, the driver of snack consumption among respondents in North America is to satisfy hunger between meals. Two other drivers of snacking are worth noting, which are to satisfy one's craving and to provide nutrition. Finally, Nielsen highlighted that for respondents in North America, the most common places to get snacks are in grocery stores (64%), mass merchandise/hypermarkets (33%), convenience stores (16.0%), and dollar stores (16.0%). Ultimately, there is an increasing need for snacks to be accessible.

Further stressing the importance of snacking for convenience, PepsiCo CEO Indra Nooyi also believes that the differentiation between snacks and beverages is fading. She said, "We keep talking artificially about snacks and beverages only because some people used to track this industry differently. I think that's over. This is convenience." Nooyi noted that PepsiCo's oat-based drink that is sold in Latin America and produced by its Quaker unit could be called a "drinkified" snack. Similarly, in February 2014, Kraft launched P3 Portable Protein Pack—cheese, meat and nut packs under the Oscar Meyer product line. We think that food and beverage companies will continuously try to capture the snack market in the US with product innovation that excites the market and inspires the consumer.

Changing food tastes

Demographics in the US have changed, and so have food preferences. In the poultry category, thighs and other pieces of dark meat have not been in high demand until recently, mainly due to the increasing number of immigrants from Latin America and Asia. Mintel Group, a market research firm, revealed in "Today's Specialty Food Consumer Report 2014" that 59% or 145 million US consumers purchased specialty foods, down from 74% in 2013. This sharp decline can be attributed to the change in definition of specialty foods, as this category has shifted from being a niche category (ethnic and exotic food items) to a mainstream category, albeit carrying the premium status. In fact, Mintel revealed that between 2011 and 2013, specialty food sales increased 18.4%, including an 8.0% increase in 2013.

Changing food tastes are also linked to a greater interest in health and wellness. In "Today's Specialty Food Consumer Report 2014", all natural (79%) and non-GMOs (31%) have the highest estimated percentage of sales. This trend is in line with a national survey conducted in October 2014 by Consumer Reports National Research Center, a research arm of Consumer Reports' National Testing and Research Center, which highlights that 72% of Americans think it is vital to avoid GMOs. In the same report, 64% of Americans think "natural" means GMO free.

Current demographics also show that since Millennials are known to be health-conscious, there is a higher occurrence of this generation purchasing specialty food products as compared with Baby Boomers, according to Mintel. Meanwhile, among ethnic groups, Hispanics have the highest occurrence of purchasing specialty foods. S&P thinks that there will be increasing demand for specialty food products, as most consumers value healthy, natural, and non-GMO products.

Private label products have appeal

Given the weak economy, we think a price-gap advantage for private label products should work particularly well. According to IRI, private label products were priced 29% lower, on average, than non-private label brands in 2013. Meanwhile, the Private Label Manufacturers Association, a trade group representing manufacturers and suppliers of store-brand food products, reported that for 2013, store brands (*i.e.*, private label products) accounted for about 21.2% of all unit sales and about 17.5% of all dollar sales for products purchased at supermarkets. We expect that sales of store-brand products will be supported by the continued price sensitivity of consumers.

With the price advantage already in place, we think that increased sampling and favorable quality impressions of private label goods in recent years will bolster sales of such products. Apart from pricing, we think that the number and variety of organic, natural, and higher-end private label products, plus more colorful packaging, have boosted demand for these products. For instance, sales of TreeHouse rose 18.7% in the second quarter of 2014 on a year-on-year basis, depicting growth in private label products.

The attractive private label business has urged ConAgra Foods, Inc. to acquire Ralcorp, Inc. for $6.7billion, a deal that was completed in January 2013 and that made ConAgra the largest private brand packaged food business in North America. However, ConAgra has been hemorrhaging money, given the underperforming private label business. As such, the challenge for the company is to successfully manage its branded and private label products.

In our view, the long-term growth of private label reflects diminishing loyalty to higher-priced nationally branded food products, and puts additional pressure on manufacturers to protect market share through such means as promotions or product innovation. In general, we would expect private label brands to pick up more market share from second- or third-tier branded food companies than they do from the category leaders. One reason, in our view, is that top-tier branded companies have more financial resources—including increased marketing dollars and new product development outlays—to protect their market share.

We also think promotional activities such as lowering prices could be a competitive option for non-private label manufacturers. While this could bolster sales, lowering prices could also harm the perceived value of the product and squeeze margins.

PROFIT ENVIRONMENT FOR FARMERS WEAKENS

We expect farmers to be challenged by a weakening profit environment brought about by lower prices for some crops in 2013, but we look for volumes to be high enough to help 2014 and 2015 be relatively profitable years for agriculture.

In August, the USDA forecast that US farm cash receipts would total $410.5 billion in 2014, up 3.2% on a year-on-year basis. Of this, crops would represent $216.1 billion, down 3.3%. The USDA also projected that livestock receipts would total $209.6 billion in 2014, up 6% from the year before.

After including other farm-related sources and direct government payments, the USDA forecast gross cash income of $451.6 billion in 2014, a decline from the previous year forecast of $446.1 billion. The USDA projected that cash expenses would increase 4.2%, leading to a projected net cash income of $123.0 billion in 2014—down 5.9% from 2013, but up from a 2010–2012 average of $119.6 billion.

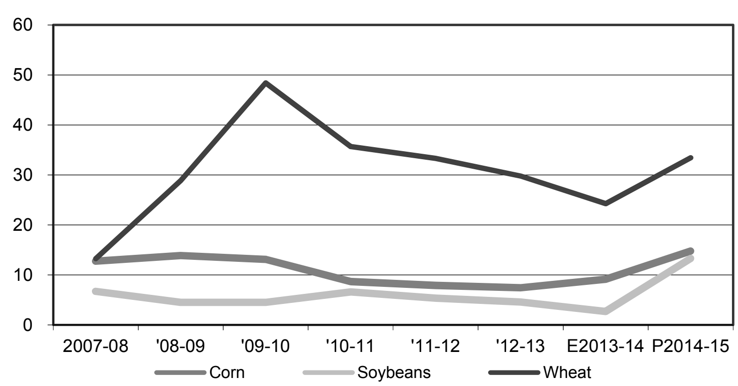
However, as of September 2014, the USDA reported that its index of prices received by farmers for all farm products was 2.9% above where it was in the previous year. The crop index was down 12%, year over year, with food grains down 14%, and feed grains down 36%. The USDA said that the corn price of $3.38 a bushel was $1.77 below where it was in September 2013. On the other hand, the livestock and products index was up 21%, year over year. The USDA said that a hog price of $73.4 per hundredweight (cwt) was $2.70 above where it was in September 2013.

The USDA reported that the overall production index of prices paid by farmers in September 2014 was up 4.6% from the year-ago period. Feed costs and fertilizer were down 10% and 5.6%, respectively, but livestock and poultry were up 46%.

CROP PRODUCTION AND PRICES

We think there will be a relatively large US harvest in 2015, despite lower planting intentions for corn and wheat, reflecting increased soybean planting intentions and improved yields. However, against a backdrop of harvest increases for some commodities in 2014, prices are on a downward trend. According to the USDA's "World Agricultural Supply and Demand Estimates" published on October 10, 2014, the areas of wheat harvested (2.6%) and soybeans (9.3%) in 2014–2015 are expected to increase, resulting in decreases in average farm prices of 14.1% and 23.1%, respectively, compared with 2013–2014 data. Meanwhile, the area of corn harvested is expected to decline 5.2% in 2014 and 2015, but its average farm price is still expected to decline 23.8% compared with 2013–2014 data.

STOCKS*-TO-USE RATIO



*Ending stocks. E-Estimated. P-Projected

Source: US Department of Agriculture.

Higher corn supplies drive prices down

The USDA projects a record corn harvest in 2014 due to higher forecast yields compared with 2013. As of October 2014, the USDA forecast that corn yielded an average of 174.2 bushels per acre, up 15.4 bushels from the 2013 average. Owing to large domestic and global supplies, as of October 2014 the USDA forecast that the average corn price would have a midpoint of $3.40 bushel in 2014–2015, down from an estimated year-end price of $4.46, which would also be the lowest since 2006–2007. While demand for corn is expected to remain strong, reflected in a rate of consumption that outweighs production, prices are still expected to remain below the 2013 price levels.

Improved soybean harvest, but less of a price decline

In October 2014, the USDA forecast a 17% increase in production, reaching 3.93 billion bushels. The area for harvest in the US was 9.0% higher than the previous year, reaching 83.4 million acres. Despite higher demand, the USDA forecast in October 2014 an average soybean price in the range of $9.0–11.0 in 2014–2015, down from $12.50–$13.50 per bushel in 2013–2014.

GROWING GLOBAL DEMAND FOR ANIMAL PROTEIN

Rising income and changing lifestyles of consumers in developing economies like China are contributing to dietary shifts, including the increasing consumption of animal protein such as beef and pork.

The US is a major producer, consumer, and exporter of this meat. According to USDA estimates in October 2014, the US market shares of exports among major traders are 31% of global broiler meat (chicken), 12% of beef and veal production, and 33% of global pork production.

Increasing demand for pork

The increasing demand for pork, and other factors, such as the porcine epidemic diarrhea virus (PEDV) and the use of pork to substitute beef, have caused pork prices to surge in the US. The USDA's "Livestock and Poultry: World Market and Trade," published in October 2014, revealed that pork production is expected to decline 2% due to the impact of PEDV in the US. The report also highlighted that since May 2013, PEDV has been reported in 31 states, which is equivalent to 95% of pork production. This virus is particularly lethal to pre-weaned piglets, as PEDV results in near 100% mortality once a pig is infected. Even so, US production of pork is expected to rebound 5% in 2015, increasing by 10.9 million tons.

Meanwhile, China is proving to be an important market for pork. According to the Earth Policy Institute (EPI), which reports and comments on food markets, annual consumption of pork in China increased to 39.2 kilograms per person in 2013 (latest available), from just eight kilograms in 1975. In 2013, total pork consumption increased by 3% to 54.3 million tonnes, versus 52.7 million tonnes in 2012. In comparison, total pork consumption in the US was just 8.6 million tonnes in 2013.

China consumes and produces approximately half of the world's pork supply. The strong demand and consumption of pork in China, a major exporter of this meat, is an advantage to the US. We think that Chinese interest in US pork supplies was solidified when a Chinese meat processor acquired Smithfield Foods Inc., the largest pork producer in the US, for $4.7 billion in May 2013. However, US pork producers and meat processors must withstand challenges such as the PEDV to take advantage of growing demand for pork, particularly in China.

Beef prices surge

Although US cattle ranchers suffered from rising feed costs, wildfires, and drought conditions in the first half of 2014, most of the cattle countries like the US have enjoyed favorable weather conditions, according to the USDA. According to the USDA's "Livestock, Dairy, and Poultry Outlook" published in October 2014, there was strong domestic demand for beef and a lower beef production last year, causing prices to strengthen. Year to date through July 2014, the average value of boxed beef was 20% higher compared with the year-ago period. The USDA estimates that US beef production will drop 2% due to lower slaughter. With a larger corn crop expected in 2014, feed prices have dropped, thereby improving the economics of beef production. However, the time it takes for ranchers to rebuild cattle herds and the trickledown effect of lower feed prices on meat supply is gradual. We think low beef production will limit the growth of US exports and domestic sales in 2015.

In light of higher beef prices, more people are substituting pork or chicken for beef. According to the USDA, the CPI for beef and veal rose 2.0% month to month (August 2014 and September 2014) and 17.8% year over year (September 2013 to September 2014). The CPI for beef and veal is evidently higher compared with pork's 11.4% year over year.

CONTINUED STRONG DEMAND FOR US AGRICULTURAL EXPORTS

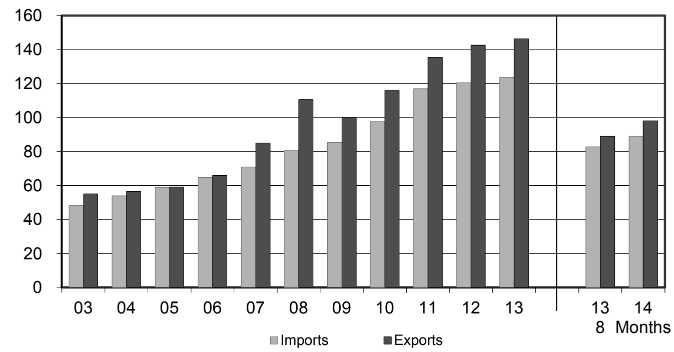
Year to date through August 2014 showed that the US had a favorable agricultural trade balance of $21.5 billion, albeit down 23.7% from the year-ago period. Agricultural exports totaled $96.7 billion, while imports amounted to $75.2 billion. (We note that the US has consistently shown a positive trade balance—that is, exports higher than imports—for agricultural goods.) Over time, we think that some of the rise in world trade is attributable to higher agricultural prices.

In August 2014, the USDA forecast that agricultural exports would total $144.5 billion in fiscal 2015 (ending August 2015), down about 5.2% from an estimated $152.5 billion in fiscal 2014. With imports estimated to increase about 6.8% to $117.0 billion, the trade surplus would increase to $27.5 billion versus an estimated $43.0 billion in fiscal 2013.

Canada, China, and Mexico among major export markets

The USDA revealed in August 2014 that agricultural exports to China (likely excluding Hong Kong) are expected to total about $25.0 billion in fiscal 2015 (ending September 2014), down $3.0 billion from the fiscal 2014 forecast, constituting 16.6% of total agricultural exports. Exports to Canada and Mexico totaled $21.7 billion (15.2%) and $18.5 billion(12.7%), respectively.

US FOREIGN TRADE IN FOOD PRODUCTS
(In billions of dollars)



Source: US Department of Agriculture.

China is an increasingly important trading partner of the US. In 2003, US agricultural exports to China were valued at $2.3 billion. Meanwhile, agricultural imports from China to the US totaled $7.5 billion in 2013, which is 198% more than 10 years earlier.

In the 12 months ending August 2014, in dollar terms, soybeans were the top US agricultural export, at $24.0 billion, followed by corn ($11.0 billion) and unmilled wheat ($8.3 billion). Other exported products included pork ($5.6 billion) and chicken ($4.0 billion). The leading agricultural commodity imports in the 12 months ending August 2014 were fresh fruits ($9.7 billion), fresh vegetables ($6.8 billion), and coffee ($5.8 billion).

LOOKING OVERSEAS FOR GROWTH AND RESOURCES

With considerable competition in the relatively mature US food market and limited population growth expected, major food manufacturers are turning to the emerging markets in Asia and Eastern Europe. We look for markets such as China, India, and Brazil to offer good long-term opportunities for higher sales and profits. We think income growth, combined with lifestyle and dietary changes, along with the extensive reach of electronic media, will increase the appeal of packaged goods that are so popular in developed markets such as the US and Western Europe.

Risks to conducting business in foreign countries

While different markets provide opportunities for the food and beverage industry, companies seeking to expand revenue and growth in other markets should be mindful of the risks involved, which include trade barriers and foreign currency fluctuations, as well as food safety and quality issues. For example, Russia has stopped beef imports from the US because it found some residues of the livestock feed additive ractopamine. In May 2013, the European Union advised its member states to test certain shipments from the US due to the discovery of unapproved genetically modified wheat. Japan and Korea are following suit, and have suspended wheat imports from the US.

Companies conducting overseas also face the risk of different regulations in various countries. In August 2013, Chinese government fined six companies that sell infant milk powder a total of $109 million for anticompetitive behavior and price fixing. The companies fined are Mead Johnson Nutrition (based in the United States); Dumex Baby Food, a subsidiary of Danone (France); Biostime International (Hong Kong); Royal FrieslandCampina (the Netherlands); the Fonterra Co-operative Group (New Zealand); and Abbott Laboratories (US).

Apart from regulations, there is an economic risk involved in international business. While growth in the international markets is higher compared with the US, there has been slower growth in the last months. According to the International Monetary Fund's (IMF) "World Economic Outlook" published in October

2014, the organization expects flat to slower growth in China and some European markets, *e.g.*, Germany and the UK. Specifically, the IMF forecast China's year-over-year growth to slow to 7.4% and 7.1% in 2014 and 2015, respectively, following 7.7% growth in 2013. Sluggish growth of most European markets is expected to continue, as the IMF has reported stagnant euro-area growth. Russia saw 1.3% growth in 2013, but growth is expected to slow to 0.2% and 0.5% in 2014 and 2015, respectively. This could be attributed to the decline in investment and capital outflows given the recent tensions with Ukraine, thus tempering demand for consumer products. Meanwhile, while India is expected to grow at a slower rate than China, it is expected to pick up in economic growth, from 5.0% in 2013 to 5.6% and 6.4% in 2014 and 2015, respectively.

Unfavorable foreign exchange rates

Foreign currency fluctuations also pose a risk to companies looking overseas for growth. For example, a rise in the value of the dollar relative to a foreign currency will make it more expensive for a foreign country or company to import US agricultural products. Further, US companies investing in another country would see a fall in the dollar value of their investments if the currency of that country falls. Unfavorable exchange rates may hurt the earnings of companies with foreign exposure due to the strengthening US dollar.

In an October 21, 2014 article published by *Reuters*, Coca-Cola was cited as one of the multinational companies affected by the foreign exchange rates. Specifically, the company expects a six percentage-point negative impact on its full-year operating income. We think companies have to come up with restructuring programs and other cost-cutting measures to better protect their margins in foreign operations as the US dollar strengthens.

FOOD AND BEVERAGE INDUSTRY OUTLOOK

As of October 25, 2014, our outlook for the US food and beverage industries is neutral. We view the US and Western European food markets as relatively mature, but we see opportunities for faster longer-term growth from places such as China and Latin America. However, emerging international markets can also bring additional risk from factors such as currency fluctuation and regulation.

For the food industry, we anticipate improved prospects and realization of a better crop harvest in 2014 to support favorable ingredient costs for some food manufacturers into 2015. However, for a number of food products, we view ingredient costs as a relatively small part of the overall retail price paid by consumers. With less of a negative impact from higher prices, we expect volumes in the next six to 12 months to look generally better than they have in the past year.

In relation to the higher prices, we think rising prices at food stores can lead to consumers putting increased focus on less expensive products, including various private label (store brand) items. However, we think manufacturers of higher-priced branded products will generally hold on to much of their market shares, helped by brand loyalty among consumers and marketing support by manufacturers.

For the beverage industry, we see improved trends for noncarbonated beverages as consumers return to healthier products after briefly trading down to cheaper alternatives during the recession. We see challenging trends for carbonated beverages over the longer term, with the exception of flavored carbonated beverages, which have shown appeal to young and faster-growing ethnic groups. In the near term, we think manufacturers will have to address concerns surrounding artificial sweeteners in the US, which has led to an accelerated decline in diet soda volumes.

We also think domestic nonalcoholic unit-sales volume growth will improve on increased advertising and promotional spending and new product launches. For the longer term, we think volume trends will benefit from increased penetration into nontraditional distribution channels and growing consumer demand for nonalcoholic products (soft drinks, ready-to-drink teas, juices, bottled water, and sports drinks), which should continue to raise nonalcoholic beverage per-capita consumption levels.

We view strength in the US dollar relative to foreign currencies as generally being unfavorable to sales and earnings prospects for the multinational food and beverage companies. A stronger dollar should make US goods less affordable in markets with weakening currencies, and should cause international results for US multinationals to be translated back into fewer US dollars. However, the direction of currency exchange rates varies around the globe; thus, while the dollar is strengthening against one currency, it may be weakening against another.

The impact of currency fluctuation on various companies will still depend on a number of factors. For one, understanding the most important markets, and to what extent US companies have hedges in place (*e.g.*, through future contracts), that could enable them to lock in exchange rates.

Longer term, we think the packaged food and beverage industry will focus on consumer lifestyles, tastes, health considerations, and demographics, including both opportunities in developing international markets and the interests and needs of an aging US population. We think industry growth opportunities will include the introduction and distribution of products that appeal to consumers' interest in healthier eating.

Year to date through November 14, 2014, the S&P Packaged Foods & Meats Index and the S&P Soft Drinks Index showed increases of 12.2% and 11.9%, respectively, outpacing the S&P Composite 1500 Index, which jumped 9.8%. In 2013, the S&P 1500 outpaced the S&P Packaged Foods & Meats and S&P Soft Drinks with a 30.1% gain, showing increases of 30.0% and 17.8%, respectively. ■

INDUSTRY PROFILE

Foods and beverages: a global industry

There is no shortage of food and beverage choices for US consumers. Some of the factors influencing consumer purchase decision when it comes to consumable items sold through retail channels are taste, comfort, and nutrition.

US SPENDING ON FOOD PRODUCTS
(In billions of dollars)

	---- FOOD EXPENDITURES ----			-- % OF TOTAL ----	
YEAR	AT HOME	AWAY FROM HOME	TOTAL	AT HOME	AWAY FROM HOME
2014*	567.3	518.5	1085.8	52.2	47.8
2013	547.4	498.3	1045.7	52.3	47.7
2012	672.6	629.7	1302.3	51.6	48.4
2011	650.7	590.7	1241.4	52.4	47.6
2010	617.7	557.7	1175.4	52.6	47.4
2009	601.2	539.7	1140.9	52.7	47.3
2008	603.1	544.5	1147.6	52.6	47.4
2005	530.1	469.8	1000.0	53.0	47.0
2000	428.8	359.2	787.9	54.4	45.6
1995	357.1	280.2	637.3	56.0	44.0
1990	312.9	222.3	535.2	58.5	41.5
1980	179.7	103.1	282.8	63.5	36.5
1970	74.8	33.8	108.6	68.9	31.1
1960	50.3	16.2	66.5	75.7	24.3

*Through September.
Source: US Department of Agriculture.

LEADING US AGRICULTURAL EXPORT DESTINATIONS
(In millions of dollars)

COUNTRY	2012	2013	% CHG.
1. China	25,855	25,881	0.1
2. Canada	20,629	21,327	3.4
3. Mexico	18,921	18,099	(4.3)
4. Japan	13,499	12,139	(10.1)
5. European Union	10,068	11,858	17.8
6. South Korea	6,031	5,136	(14.8)
7. Hong Kong	3,403	3,852	13.2
8. Taiwan	3,212	3,089	(3.8)
9. Indonesia	2,493	2,824	13.3
10. Philippines	2,350	2,509	6.7
Total, top 10	106,461	106,712	0.2
World total	141,270	144,102	2.0

Source: US Economic Research Service.

The US Department of Commerce estimates that year to date through October 2014, retail sales from food and beverage stores amounted to $494.0 billion, up 2.7% from the comparable period a year earlier. For full-year 2013, retail sales from food and beverage stores totaled an estimated $649 billion, up from $631 billion in 2012. Meanwhile, consumers spent an estimated $424.0 billion at food service and drinking places (*e.g.*, restaurants) in the first nine months of 2014, up 5.2% from the prior-year period. In full-year 2013, spending at food service and drinking locations totaled an estimated $539.6 billion, up 3% from 2012.

Overall, year to date through September 2014, the spending in these two food-related categories totaled $918.0 billion, or about 23.7% of the overall $3.9 trillion of estimated consumer spending on retail and food services. However, we think that the food-store retail sales numbers include a significant number of non-food items. (Note: Category totals from the US Department of Commerce and the US Department of Agriculture (USDA) may vary due in part to different definitions; for example, USDA food sales data exclude alcoholic beverages.)

CHINA, US SEEN AS WORLD'S LARGEST MARKETS

China overtook the US in 2011 as the world's biggest retail grocery market, according to a report published in April 2012 by IGD, a UK-based industry group. In a follow up report published in June 2013, IGD revealed that 2012 data show that the Chinese retail grocery market was estimated at £1.1 trillion, followed by the US (£940.0 billion), Japan (£408 billion), India (£375 billion), and Brazil (£329 billion). IGD added that by 2016 the Chinese market is expected to be worth £1.6 trillion, followed by the US at £1.1 trillion, with India, Brazil, and Russia completing the top five.

What can be gleaned from these estimates is that developing markets such as China, India, Russia, and Brazil are expected to far outpace the growth in developed markets such as the US and Japan. Moreover, according to a report published in March 2012 by the Worldwatch Institute (WI), a global environmental research organization, the demand for meat, egg, and dairy markets is increasing in developing markets. We think that rising income levels in countries like China, Brazil, and India are increasing consumer spending on milk, eggs, and meat in these countries. We also think production and consumption of animal products has been rising in emerging markets.

LARGEST OF THE LARGE

When looking at the sales of top publicly traded US-based food and beverage producers in the first half of 2014, we can glean that the top 10 producers generated approximately $131.6 billion in total food and beverage sales, including international sales. Consequently, putting together the top 20 US-based producers in the industry reveals that they generated around $163.8 billion of food and beverage sales. The revenues of these food manufactures represent sales to food retailers or distributors, not direct sales to consumers. As such, retail sales would typically exceed manufacturers' sales.

MAJOR US PUBLICLY HELD FOOD & NON-ALCOHOLIC BEVERAGE COMPANIES

(Ranked by first half 2014, in millions of dollars)

	PACKAGED FOOD & ------- BEVERAGE SALES -------		
COMPANY	2013	2014	% CHG.
1. PepsiCo	29,388	29,517	0.4
2. The Coca-Cola	23,784	23,150	(2.7)
3. Mondelez International	17,339	17,077	(1.5)
4. Tyson Foods	17,114	18,714	9.3
5. Kraft Foods Group	9,229	9,109	(1.3)
6. General Mills	8,841	8,661	(2.0)
7. ConAgra Foods	8,397	8,825	5.1
8. Kellogg	7,575	7,427	(2.0)
9. Dean Foods	4,633	4,621	(0.3)
10. Hormel Foods	4,312	4,530	5.0
11. Pilgrim's Pride	4,221	4,205	(0.4)
12. Coca-Cola Enterprises	4,006	4,203	4.9
13. Campbell Soup	6,194	6,363	2.7
14. Hershey	3,336	3,450	3.4
15. Dr Pepper Snapple Group	2,991	3,029	1.3
16. The J.M Smucker	2,691	2,558	(4.9)
17. McCormick & Co.	1,937	2,027	4.6
18. The Hillshire Brands	1,886	2,019	7.1
19. Mead Johnson Nutrition	2,093	2,224	6.3
20. Fresh Del Monte Produce	1,943	2,114	8.8

Source: Company reports.

Notwithstanding the significant presence of the largest manufacturers in the marketplace, the food and beverage industry remains quite fragmented. Historical data from the US Census Bureau reveals that there are more than 20,000 businesses manufacturing food, beverages, and tobacco products, most of which are relatively small producers with relatively few workers. Conversely, the largest food and beverage companies employ thousands of people.

WIDESPREAD OWNERSHIP OF FOOD FIRMS

Most food companies are small and have a limited number of products (such as baked goods, dairy products, condiments, or snack foods) for local/regional or specialized markets. Regional firms may also serve as contract manufacturers of private label goods for grocery store chains.

TOP 10 CARBONATED SOFT DRINK BRANDS

(Ranked by 1st half of 2014 sales, in millions of cases)

BRAND	COMPANY	Market Share	Share % CHG.	Volume % CHG.
1. Coke	Coca-Cola	15.1	0.4	1.4
2. Pepsi	PepsiCo	10.0	0.1	(0.9)
3. Mt. Dew	PepsiCo	8.4	0.1	flat
4. Diet Coke	Coca-Cola	7.2	(0.4)	(6.6)
5. Dr Pepper	Dr Pepper Snapple	6.0	0.1	0.6
6. Sprite	Coca-Cola	4.7	0.3	4.1
7. Diet Pepsi	PepsiCo	4.3	(0.1)	(4.1)
8. Diet Mt. Dew	Pepsi	3.0	(0.1)	(4.2)
9. Coke Zero	Dr Pepper Snapple	2.2	flat	(1.9)
10. Diet Dr Pepper	Coca-Cola	2.0	(0.1)	(8.2)

Source: *Beverage Digest*.

The top national firms, in contrast, are likely to have more brand-name recognition. To manage their operations and create economies of scale, they largely focus on multimillion-dollar products that can be sold nationally. They tend to place less emphasis on regional products and preferences, except in international markets. The largest among them (based on sales for the first half of 2014) are PepsiCo Inc. ($29.5 billion), Coca-Cola Co. ($23.2 billion), Mondelez International Inc. (formerly known as Kraft Foods Inc.; $17.1 billion), Kraft Foods Group, Inc. ($9.1 billion), Tyson Foods Inc. ($18.7 billion), and General Mills, Inc. ($8.7 billion). Major foreign-based food and beverage competitors include Nestlé SA (Switzerland), Unilever plc (UK), and Groupe Danone (France).

BEVERAGE INDUSTRY IS HIGHLY CONCENTRATED

According to industry consulting firm Beverage Marketing Corp. (BMC) the US liquid refreshment beverage market grew 2.2% in the first half of 2014 on a year-on-year basis, following a 1.3% increase to 30.2

billion gallons in full-year 2013. This growth follows a rise of 1.0% in 2012, 0.7% in 2011, and 1.2% in 2010, whereas the 2009 and 2008 performance of the market declined 2.8% and 2.1%, respectively. Only a few key segments comprise the vast majority of the market. The carbonated soft drink market remains the largest single liquid refreshment beverage type, but volume declined 1.0% in the first half of 2014. However, premium beverages (*e.g.*, ready-to-drink coffee, energy drinks, and bottled water) gained momentum in the first half of 2014. Ready-to-drink coffee was up 8.3%, whereas bottled water and energy drinks rose 7.5% and 6.3%, respectively.

TAKE-HOME CARBONATED SOFT DRINK MARKET SHARES—FIRST HALF OF 2014

BRAND	MARKET SHARE (%)	SHARE CHANGE	VOLUME CHANGE (%)
Coca-Cola	36.1	0.4	(0.8)
PepsiCo	32.7	0.3	(1.1)
Dr Pepper Snapple	20.8	0.1	(1.4)
Private Label	7.7	(0.8)	(11.5)
All others	2.7	NA	(2.0)

NA-Not available.
Source: *Beverage Digest.*

The market share of the nonalcoholic beverage industry is highly concentrated. Carbonated soft drinks, for example, reflect approximately 88% of US retail sales, and are represented by the beverage brands of three companies: Coca-Cola, PepsiCo, and Dr Pepper Snapple Group Inc.

There is, however, a recognizable fragmentation in the beverage market. Smaller niche categories and limited-edition products are becoming more profitable. Hence, S&P sees the market requiring more flexibility and increased ability to respond quickly to changes.

INDUSTRY TRENDS

Consumers today tend to expect that food and drink, in addition to tasting good, should have some or all of the following characteristics: be low in calories; provide supplemental vitamins and minerals; create energy; and offer other health benefits. As such, consumers have become increasingly demanding of food and beverage products in recent years, and most expect these products to go beyond the basic need of satisfying hunger and thirst. Hence, S&P sees major food companies refocusing their best product lines, and acquiring brands in encouraging new areas, and selling off or discontinuing products that do not resonate with consumers.

FOOD COMPANIES ACQUIRE AND RESHAPE

Many food companies are cutting costs, removing unprofitable products, and placing more emphasis on the business lines they think will experience the greatest demand in the coming years. In our view, publicly owned companies face pressure to grow their profits as a way to potentially boost their stock price and please shareholders. Food manufacturers have been seeking to offset commodity cost pressure through increased productivity (more efficient manufacturing and distribution) and price increases.

Corporate cost-reduction programs focus on a variety of areas. We see a particular emphasis on so-called supply chain improvements—more efficient or less costly ways of getting products to customers. These can range from centralized, more economical purchasing of commodities to better utilization of manufacturing plants. In some cases, when energy prices are very high, companies may look to lower their transportation costs by moving manufacturing or distributions facilities closer to their customers.

Beverage companies are also working on increasing productivity and focusing growth initiatives on higher-value, healthier products for which they can charge premium prices. Consumers have been willing to pay more for beverages with perceived health or other functional benefits. In addition, bottlers such as Cott Corp. have been seeking to offset costs by investing in production lines with lighter-weight plastic bottles that also reduce the environmental impact of their products.

Merger and acquisition activity still sizable

We have seen a recent pickup in acquisition activity within the food and beverage industry, which we think has been bolstered by the appeal of the industry's global nature, and by a relatively attractive financing environment. We see acquisitions offering geographic and product diversification. In addition, mergers can boost opportunities for profit growth, including costs reductions (*e.g.*, duplicate expenses, economies of scale) and higher revenue (*e.g.*, better leveraging of distribution systems).

Consolidation continued in 2014. In August 2014, Tyson Foods Inc. completed its acquisition of Hillshire Brands Co. to the value of $7.7 billion. This transaction strengthened the market leadership of Tyson Foods in the prepared food business, and resulted in the creation of a single company with more than $40 billion in annual sales. Meanwhile, consumer packaged goods company, Post Holdings, Inc., completed its acquisition of Michael Foods Inc. for $2.5 billion in June 2014. In February 2014, Coca-Cola Co. purchased a 10% stake in Keurig Green Mountain, Inc. for $1.3 billion, which increased to 16% in May 2014. Also in February, Del Monte Pacific Ltd. completed its acquisition of Del Monte Foods, Inc. for $1.7 billion.

Various merger and acquisition (M&A) deals that have not been completed yet were announced in 2014. In August 2014, J.M. Smucker Co. agreed to acquire Sahale Snacks Inc. for an undisclosed amount. Mondelez International, Inc. and D.E. Master Blenders 1753 BV announced in May 2014 that they would merge their coffee businesses, which will be called Jacobs Douwe Egberts, in order to step up the challenge to Nestle SA. Mondelez will receive $5 billion, and the transaction is expected to be completed in 2015.

MAJOR MERGERS AND ACQUISITIONS—2010 to 2014
(Transaction value of at least $1 billion)

ACQUIRER	TARGET	VALUE (BIL. $)	DATE COMPLETED
Tyson Foods	Hillshire Brands	7.7	Aug-14
Post Holdings	Michael Foods	2.5	Jun-14
Coca-Cola	Keurig Green Mountain 10% stake, w hich increased 16% in May	1.3	Feb-14
Del Monte Pacific	Del Monte Foods' consumer food business	1.7	Feb-14
Shuanghui International	Smithfield Foods	4.8	Sep-13
Berkshire Hathaw ay and 3G Capital	H.J. Heniz	23.6	Jun-13
ITOCHU	Dole Food's packaged foods and Asia fresh produce businesses	1.7	Apr-13
ConAgra Foods	Ralcorp Holdings	*4.75	Jan-13
Nestlé	Pfizer Nutrition	11.9	Dec-12
Kellogg	Pringles	2.7	May-12
PepsiCo	Wimm-Bill-Dann	5.1	Sep-11
General Mills	51% controlling interest in Yoplait SAS and 50% interest in Yoplait Marques SAS	1.2	Jul-11
Kohlberg Kravis Roberts & Co, Vestar Capital Partners, and Centerview Partners	Del Monte Foods	4.0	Mar-11
PepsiCo	66% of Wimm-Bill-Dann	3.8	Feb-11
Coca-Cola	Coca-Cola Enterprises	12.3	Oct-10
Corn Products International	National Starch	1.3	Oct-10
Ralcorp Holdings	American Italian Pasta	1.2	Jul-10
Kraft Foods	Cadbury	18.5	Jun-10
Nestle	Kraft Food's North American frozen pizza business	3.7	Mar-10
PepsiCo	Pepsi Bottling Group and PepsiAmerica	7.8	Feb-10

NA- Not available. Note: Some acquisition prices may be approximate or rounded. Also, some transactions may be mergers in which there is some ambiguity regarding what party is or may be the acquirer or acquiree.
*Net of cash acquired.
Source: Company reports.

To summarize, mergers and acquisitions are still common in the food and beverage industry, and they are instrumental in unlocking other sources of growth for companies and effectively tapping markets outside the US.

Companies reshape themselves

With the goal of food and beverage companies boosting shareholder value or the market value of company stock, S&P has seen companies reshape themselves through various forms of split-ups. We think there are various potential motivations for this, including an aim to boost shareholder value, or the market value of the company's stock. In addition, in making a divestiture, a company may be choosing to put more of a future focus on "core," faster-growing, and/or profitable businesses. Below we discuss several companies engaged in recent split-up transactions.

◆ **Kraft Foods spun off from Mondelez International.** Mondelez International (formerly known as Kraft Foods Inc.) spun off ownership of a large North American grocery food business in October 2012. The spun-off company, which is named Kraft Foods Group Inc., includes brands such as Kraft, Maxwell House, Oscar Mayer meats, and Philadelphia cream cheese. Meanwhile, Mondelez (the remaining part of the "old"

Kraft Foods) is a global snacks company, including brands such as Cadbury, Jacobs, LU, Milka, Nabisco, Oreo, Tang, and Trident. Regarding the name, "Mondelez," Kraft says that "monde" is derived from the Latin word for "world," and "delez" is an expression of "delicious."

We think the snacks business has better long-term growth prospects, and that the North American grocery foods business will be more of a dividend payer. In addition, we see Kraft's 2010 acquisition of confectionery company Cadbury plc as offering strategic value for Mondelez, including the opportunity to boost its presence in developing international markets.

◆ **Campbell Soup acquires and divests.** Campbell divested its European simple meals business and acquired two companies in 2013.

Campbell announced in October 2013 that it had completed the sale of its European simple meals business to CVC Capital Partners for €400 million. According to the terms of the agreement, CVC was to acquire Campbell's national brands of soups, sauces, and simple meals (including Liebig and Royco in France, Erasco in Germany, Blå Band in Sweden, and Devos Lemmens and Royco in Belgium), and four plants (in Puurs, Belgium; Le Pontet, France; Lubeck, Germany; and Karpalund, Sweden).

In August 2013, Campbell acquired Kelsen Group, a snack food business with an international presence. We see this acquisition boosting Campbell's presence in China and providing a platform for expansion in other international markets. Also, in June 2013, Campbell acquired Plum Organics, a provider of organic foods and snacks for babies, toddlers, and children. In our view, this builds Campbell's presence in what we see as a growth category.

PepsiCo restructures

PepsiCo completed the acquisition of the remaining shares it did not already own of its two largest bottling companies, Pepsi Bottling Group Inc. and PepsiAmericas Inc., in February 2010 for a total price of close to $8 billion.

These bottling acquisitions effectively reversed the spinoffs of Pepsi's bottling assets 10 years ago, which we think was done in an effort to increase shareholder value. Although we see some merits to the acquisition of the bottling businesses now, we do not think a deal was vital to PepsiCo's growth prospects, as we still see significant opportunities for PepsiCo to expand internationally. However, the bottler deal targets the changing beverage landscape in North America, as noncarbonated beverages increasingly dominate market growth. PepsiCo views a bottler combination as speeding innovation and go-to-market efforts.

In the beverages industry, there had been speculation that PepsiCo Inc. may consider a spinoff of its beverage and snack businesses. However, with the formation of the Power of One—Americas Council in September 2011, the likelihood of a spinoff declined. This council was formed to align the two businesses across North, South, and Central America. The company believes that the food and beverage businesses are complementary across the operations in the value chain and better coordination among them will result in synergies. Further, PepsiCo observes that snacks and beverages are usually bought and consumed together. Along with the formation of this council, a Global Snacks Group (GSG) was formed, which is responsible for innovations pertaining to its global snack foods brands. The company also has in place a Global Nutrition Group and a Global Beverages Group. In November 2011, to build its snacks business, PepsiCo acquired privately held Grupo Mabel, a Brazilian cookie company, for approximately $500 million.

For the last four years, PepsiCo has been under pressure to spin off its beverage and snack businesses. According to a *Forbes* article published on August 28, 2014, rumors of a possible spinoff have increased the company's stock 8%, reaching a 52-week high of $93.48 on August 26. We think that declining the spinoff would allow the company to continue to benefit from the synergies of its current operations, even though its snack business is outperforming its beverage business.

FOOD AND HEALTHCARE OVERLAPPING

In our view, there is a growing overlap between the food and the healthcare industries. As a result, we see regulators, companies, and consumers increasingly looking at the impact of food and beverage manufacturing and consumption on food safety and one's personal well-being. However, we also anticipate questions about how much government or regulatory action—everything from taxes on products that are viewed as less healthy, to educational efforts that encourage healthier diets and costly mandates aimed at improving food safety—can or should influence what consumers eat and drink.

An area of particular concern is obesity. According to the Centers for Disease Control and Prevention, between 2011 and 2012, the percentage of adults age 20 years and above who were overweight and obese was 69.0% and 35.1%, respectively. We think increasing obesity is bolstering demand for relatively low-calorie products such as protein shakes.

Another emerging trend is gluten-free food, which can benefit the millions of people who are sensitive to gluten (a protein in wheat, rye, and barley) and is especially important for people suffering from celiac disease, a group that may total at least three million in the US and has quadrupled in the last 50 years. According to Mintel, the US gluten-free market was at $10.5 billion in 2013, which is expected to rise 48.0% to $15.6 billion by 2016. Mintel also highlighted that more than a quarter of Americans eat gluten-free foods with the desire to lose weight.

Yet another health concern in the food and beverage industry is the risk involved in eating foods containing trans fats (partially hydrogenated oils). In November 2013, the US Food and Drug Administration (FDA) put additional focus on the possible health risk of eating foods containing trans fats (partially hydrogenated oils). The FDA's preliminary determination says that trans fats have been linked to increased risk of coronary heart disease; this may lead to trans fats being largely banned from the US food supply. Since 2006, food companies have been required to note trans fat content on product labels. However, if there is less than 0.5 grams of trans fat per serving, the label can say "0 grams trans fat." While we think that food companies have already substantially reduced or eliminated trans fats in various products, we think the prospect or implementation of an FDA ban is likely to lead to additional reformulations, with related food industry costs.

New York expands fight against soda to juice drinks

New York State, which has 23% of its population classified as obese, has launched a $500,000 ad campaign encouraging people to eat and drink less. In September 2012, New York City health officials voted to ban the sale of sugary drinks larger than 16 ounces in restaurants, mobile food carts, delis, and concessions at movie theaters and stadiums in order to curb obesity. The ban, which is effective from March 2013, will not apply to juices, milk shakes, or sweetened lattes, and grocery and convenience stores are exempt. Beverage companies and restaurants oppose the ban and have filed suit against it in the State Supreme Court in Manhattan, arguing that Board of Health cannot ratify the new rules unilaterally. In June 2013, television ads and subway placards were posted with pictures of fruit-flavored drinks containing added sugar, saying the even such choices can cause obesity and diabetes.

California warning labels on sugary drinks

As of September 2012 (latest available), 24% of the population in California was considered to be obese, according to the National Center for Chronic Disease Prevention and Health Promotion. To fight this problem and the risk of diabetes, California State's health committee approved a bill in April 9, 2014, mandating warning labels on drinks, according to *Reuters*. The bill requires products to carry labels warning of obesity, diabetes, and tooth decay. However, as of April 30, 2014, warning labels on sugary drinks were put on hold because the estimated cost required to implement the budget—between $150,000 and $300,000—is not within the state budget, according to Law360. Apparently, this bill will be reconsidered when California has a new state budget.

Mexico enacted tax on sugary and caloric products

The Mexican Congress passed legislation in October 2013 that would lead to a special tax on sugary beverages, and another tax on food that has a relatively high caloric content. According to the USDA, taxes on junk food and sugary beverages came into effect on January 1, 2014. We see this as an effort to combat obesity in the country, as higher product costs are likely to dampen demand, and tax revenue could help to fund costs related to preventive actions and medical treatment. These legislative actions are vital in attempting to counter the prevalence of obesity in the country. According to the FAO, Mexico is the country with the biggest obesity problem. This will be a game changer for food and beverage companies, *e.g.* Coca-Cola, exporting to Mexico.

Since Mexico contributes 5% to Coca-Cola's global annual sales, it is not surprising that the new tax imposed on sugary products reduced volume sales of Coca-Cola FEMSA—the largest soft drink bottler in Latin America—by 5%, according to a *Wall Street Journal* article published on February 26, 2014. On top of the bottler's 16% price increase in its sugary drinks portfolio, a tax equivalent of eight US cents per liter further increased soda prices in Mexico. This may turn price-sensitive consumers away from buying Coca-Cola products, as they may have to reduce the frequency of buying soda or forgo buying soda altogether. To counter the dent in sales, the bottler is pushing the consumption of drinks in returnable bottles rather than disposable bottles, the former being cheaper than the latter.

FOOD SAFETY, SECURITY REMAIN A CONCERN

We see a heightened focus on the safety and sourcing of industry products, partly due to the global nature of the food industry. This includes both products manufactured in the US and foods imported from elsewhere. In our view, efforts to improve the regulation of products in the food chain may add to the costs of food businesses, including smaller farms and local agricultural outlets. We think that such costs could relate to new regulations in such areas as food safety, storage, and transportation. Food safety is an increasing concern for consumers.

We also see increased risk of inconsistent or poorly applied quality control, especially during a period of rising agricultural trade between different parts of the world. With additional or new product sources, and greater distance between where products are produced and where consumers ultimately buy them, we think it becomes more difficult to monitor and assure product quality. Increasingly, we expect consumers to focus on the origins of the food they buy, and wanting to know what the food contains. With origins comes the idea of traceability—being able to track the source and production process for a food item. In July 2013, the FDA proposed a new rule that requires food destined for the US to be inspected abroad, with importers being held accountable for ensuring its safety. Nevertheless, a number of the food-borne illnesses in the US have been linked to domestic, rather than international, sources.

The FDA has put forward efforts to properly implement food quality and safety regulations. For instance, as cooperation from different states and local agencies are crucial in any regulatory implementation, the FDA launched a Food Code Reference System in April 2014. Registered users of the reference system can browse through answers to issues pertaining to the FDA Food Code.

Food-related illness

There are primarily five types of bacteria—listeria, *E. coli*, salmonella, staph bacteria, and hepatitis-A—that can make their way into the food supply chain and are capable of causing food poisoning outbreaks that results in illness or even death. Food-borne illness can result from a variety of factors: the manufacturing or distribution process, or by the way food is handled or stored in the home. A number of US-produced foods have been affected by product recalls related to bacterial contamination.

On May 5, 2014, the FDA announced that Pacific Organic Produce had voluntarily recalled a number of cases of Tommy Atkins mangoes sold between April 14 and May 2, 2014, due to a product sample that tested positive for listeria. According to *Medical Daily*, consumers affected in the product recall were those who purchased on the said dates in the following states: New Jersey, Arizona, California, Colorado, and Texas. This was a precautionary move from the standpoint of the company, as only one sample tested positive for listeria and no illnesses related to the incident were reported.

Energy drinks/caffeinated products draw regulatory scrutiny

There have been studies linking the consumption of energy drinks with deaths. In November 2012, the FDA said that it had received reports of 13 deaths since 2008 possibly related to the use of 5-hour Energy shots and that it was investigating the situation. Earlier, the agency had confirmed that it was investigating the deaths of five people since 2009 who may have died after consuming Monster Beverage Corp's energy drinks. According to research presented at the American Heart Association's Epidemiology and Prevention/Nutrition, Physical Activity and Metabolism 2013 Scientific Sessions, energy drinks may increase blood pressure and disturb the heart's natural rhythm. The researchers analyzed data from seven published observational and interventional studies to determine the impact of energy drinks on heart health. In March 2013, a group of doctors, which included doctors from centers like Johns Hopkins University School of Medicine and the University of Maryland School Of Public Health, asked the FDA to limit the level of caffeine because of health risks, particularly to children.

In the US, energy drinks avoid the kind of FDA scrutiny that foods and beverages face because they are marketed as dietary supplements, which are given special status under a 1994 law that exempts them from FDA approval and rules requiring nutritional labeling information. In March 2013, energy drink makers, Monster Beverage and Rockstar Energy, decided to market their drinks as beverages instead of dietary supplements. Consumers have taken notice of the recent adverse publicity, and this has led to a significant slowdown in growth for the category—to single-digit percentage growth from the previous double digits. However, the European Union requires drinks with more than 150 mg of caffeine per liter to be labeled as having "high caffeine content." The British Soft Drinks Association, a trade group, recommends labeling energy drinks as not suitable for children or pregnant women.

In June 2014, the Center for Science in the Public Interest (CSPI) asked the FDA to require warning labels on energy drink containers, *e.g.,* risk of heart attack and convulsion. According to the CSPI, 34 deaths have been linked to energy drink consumption since 2004. Specifically, 22 of these deaths were linked to 5-Hour Energy and 11 were to Monster, respectively; one death was linked to Rockstar.

While energy drinks and other caffeinated drinks have been associated with being unhealthy, a research study shows that consuming energy drinks can increase heart contraction among healthy people, according to an article published in December 2, 2013 in the *Huffington Post*. The study cited examined the energy consumption of 18 healthy people, all of whom had increased contraction rates. Contrary to previous studies, the study failed to link energy drinks with negative impacts on blood pressure or heart rate.

Cola recipes changed over cancer alerts

After California added an ingredient used in Coke and Pepsi to its Proposition 65 list of substances that can cause cancer, Coca-Cola and PepsiCo decided to change the ingredients of their colas. This ingredient, 4-Methylimidazole (4-MEI), is a component of the caramel used to give Pepsi and Coke their brown color. In California, businesses that manufacture or sell products that cause exposures to significant amounts of 4-MEI must provide a warning. However, state scientists have developed a "safe harbor" number for 4-MEI (a level of exposure that does not cause a significant cancer risk), and products that expose the public to less than the safe harbor level do not require warnings. Both Coca-Cola and PepsiCo have asked their suppliers to reduce the level of 4-MEI used in caramel. According to the Center for Environmental Health, Pepsi continues to sell sodas made with 4-MEI, while there's little to no 4-MEI in Coca-Cola products. While PepsiCo has altered the product content in the state of California, it continues to sell products containing the higher 4-MEI level elsewhere. PepsiCo said that it is working with the suppliers to reduce the amount of 4-MEI and expects to reduce the levels in 2014.

In the light of growing concern over 4-MEI, in January 2014, *Consumer Reports* tested 110 samples of 12 soft drink brands, with caramel color as one of their ingredients. Results show that the formulations of Pepsi One and Malta Goya contained a worrisome level of 4-MEI. After the report was published, PepsiCo attracted class action lawsuits because of its failure to reduce its 4-MEI usage and to inform consumers about the substantial health risk exposure to 4-MEI entails, according to an article in *Mondaq* published on April 10, 2014.

DEMAND FOR HEALTHY FOOD CONTINUES

Despite the sluggish growth of the US economy, we think that consumers continue to be interested in what they consider health-enhancing foods. Healthy food is mostly characterized as gluten-free, natural, organic, and non-genetically modified organism (GMO). However, such items may often bear a premium price, which is likely to inhibit purchases. Nielsen highlighted in February 2014 that health, along with food prices, are two of the top five global concerns for consumers in 2014. This is something that industry players should take into account. In general, we see food and beverage companies developing a variety of healthier foods in response to demand from consumers, many of whom are following diets designed to promote weight loss and healthier lifestyles. Foods now include a focus on such areas as nutrition, weight management, improved digestion, disease prevention, and allergy remedies.

Many of the newer, healthier foods contain fewer calories, less fat, low carbohydrates, and/or less sugar and sodium. In the last decade, Coca-Cola (Coke Zero) and PepsiCo (Pepsi Max) have launched their zero-calorie sodas with the intention of lowering calorie intake. In March 2014, Mondelez International revealed its strategic goal to launch more food items with 200 calories or less.

Most of the food and beverage companies are spending time and money on reformulating their products to make them whole-fiber or gluten-free. Companies are also looking at ways to offer portion control to consumers. Reformulations may include reductions in the fat, sodium, or sugar content of a product, aimed at addressing such health-related consumer concerns as obesity, high blood pressure, and diabetes. To justify the investment in reformulations and new products, companies may need to inform or educate consumers about the prospective benefits, using such tools as marketing and product labeling.

However, we think that consumers still generally want the food they eat, no matter how healthy, to taste good. In short, consumers want the seemingly impossible: to have their cake (preferably in convenient, ready-to-eat packaging), enjoy eating it, and improve their health in the process. We expect that the long-term trend toward healthier and environmentally friendly foods will continue, but with the caveat that financially stressed consumers may be more reluctant to pay premium prices for such products.

Beverage companies are stepping up their efforts in no- and low-calorie sweeteners after recent launches of drinks with the natural zero-calorie compound Reb-A (rebiana, derived from the leaves of the Latin American herb stevia, which is reported to be several hundred times sweeter than sugar). In August 2013, PepsiCo and Senomyx Inc., a company focused on using proprietary technologies to discover and develop flavor ingredients for the food, beverage, and ingredient industries, signed a four-year collaborative agreement to develop and commercialize sweet enhancers in lower-calorie PepsiCo beverages.

To mitigate criticism leveled against food makers for the rising obesity rates in the US, companies have raised the profile of their healthier products through advertising and new packaging. For example, manufacturers have found success with 100-calorie portions of snacks, which have proven popular with consumers looking to enjoy a treat without consuming too many calories. However, as noted earlier, we think that manufacturer labeling is going to receive increased scrutiny, and we expect that there will be growing pressure to document or validate health claims related to food or beverages.

Childhood obesity has received considerable attention, and there have been efforts to restrict children’s access to less nutritional or higher calorie foods and beverages in schools. Over time, as lifestyles change overseas, we expect that obesity will be receiving increased attention in other countries as well.

ORGANIC, “NATURAL” FOODS ATTRACT INTEREST

In our view, consumers remain interested in how their food is produced and grown. Organic or “natural” foods have been growth drivers for a number of food manufacturers, some of which have added brands through acquisitions. Increasing awareness on health and food safety has helped organic and natural foods to gain popularity. (Keep in mind that “natural” lacks the USDA definition and certification of “organic.”)

Organic foods are more likely to be produced by farmers who emphasize the use of renewable resources and the conservation of soil and water. To be considered organic, meat, poultry, and eggs must come from animals that are given no antibiotics or growth hormones. Organic produce is grown without conventional pesticides, bioengineering, or ionizing radiation, and without the use of fertilizers that contain synthetic ingredients or sewage sludge. In 2002, the USDA allowed food makers to label goods as "USDA-Organic" if they contain 95%–100% organic ingredients. Foods that contain at least 70% organic ingredients can indicate that they contain organic ingredients. Use of the USDA-Organic seal on products is voluntary.

The US and the European Union (EU) signed an agreement in February 2012 to allow food certified as organic by the US or the EU to be sold in either region. This agreement allows companies and farmers to connect with each other and opens new markets for all.

In our view, the US consumer demand for organic food is significantly outpacing the growth in overall food sales, bolstered by health considerations and increased availability of organic products. According to the Organic Trade Association (OTA), a trade group, US sales of organic food grew 11.5%, reaching $35.1 billion in 2013. Considering the wide availability of organic products, particularly in natural food supermarkets and chains, the USDA expects sales of organic products to reach $35 billion in 2014. Companies focusing on organic or "natural" products include Hain Celestial Group Inc., with brands that include Terra Chips, Garden of Eatin', and Earth's Best; WhiteWave Foods, whose product line includes Horizon organic dairy products, as well as the Silk soymilk business; and Annie's Inc., whose products include pastas, pizza, and snacks.

A number of large food companies offer organic foods under smaller brands. For example, General Mills Inc. owns the Cascadian Farm and Muir Glen labels; Kellogg Co. has the Kashi brand; and Kraft Foods owns the Boca and Back to Nature brands. Large food makers have also rolled out organic versions of some of their best-known products. For example, Campbell Soup Co. offers organic V8 juice, while Kraft sells organic macaroni and cheese.

NONCARBONATED BEVERAGE CONSUMPTION PICKS UP PACE

Carbonated beverages (both regular and light versions) make up about 50% of beverages consumed in the US, according to S&P estimates. Although this represents the largest share of beverages consumed in the US, carbonated sales have fallen in recent years while other categories experienced growth. In 2009, however, carbonated beverage sales actually outperformed the noncarbonated category, as consumers traded down to cheaper alternatives (including tap water). We do not expect this phenomenon to persist over the longer term, especially as economic conditions improve, as we see consumer preference for healthier fare driving category growth.

CHANGES IN US BEVERAGE CONSUMPTION
(Percent change in volume)

	% CHG. 1H 2013/14
Ready-to-drink coffee	8.3
Energy drinks	6.3
Bottled water	7.5
Sports drinks	3.2
Ready-to-drink tea	2.3
Fruit beverages	(2.4)
Carbonated soft drinks	(1.0)
Flavored & enhanced water	(5.4)
Total	2.2

Source: Beverage Marketing Corp.

Carbonated soft drink trends reversed in 2010 as the economy improved: sales fell 0.8% in 2010, 1.7% in 2011, 1.8% in 2012, and 3.2% in 2013, and the category lost overall share in the liquid refreshment beverage market. In the first half of 2014, carbonated soft drinks declined another 1%. The volume of all liquid refreshments sold rose 1.2% in 2010, 0.9% in 2011, 1.0% in 2012, and 1.3% in 2013 after slipping 2.8% in 2009, according to Beverage Marketing Corp. (BMC). After a double-digit percentage fall in 2009, sports drinks rebounded strongly, rising 9.4% in 2010, 8.8% in 2011, 2.3% in 2012, and 0.6% in 2013. In the first half of 2014, sports drinks rebounded to 3.2%. Smaller categories, such as energy drinks, ready-to-drink coffee, and bottled water performed well in 2013, jumping 5.5% (14.3% in 2012), 6.2% (9.5%), and 4.7% (5.8%), respectively. In the first half of 2014, energy drinks (6.3%), ready-to-drink coffee (8.3%), and bottled water (7.5%) picked up well. However, these three categories, in aggregate, accounted for no more than a mid-single-digit percentage share of total US beverage volume.

In recent years, bottled water had been one of the fastest growing beverage segments. After advancing 10.8% in 2005 and 9.5% in 2006, volume growth for bottled water slowed to 6.1% in 2007, then fell 1.0% to about 8.7 billion gallons in 2008, and dropped another 2.7% in 2009. Growth then resumed, with volumes up 3.5% in 2010, 4.1% in 2011, and 5.8% in both 2012 and 2013. However, in the first half of 2014, bottled water jumped 7.5%. We expect that bottled water will continue to grow in the long term, assuming that concerns about the safety of municipal water supplies, a general interest in healthy living, and the population's increasing affluence more than offset environmental concerns about plastic bottle usage. In addition, manufacturers are continually launching new products that drive bottled water consumption, especially in the flavored or enhanced water categories, including products with fruit flavors or the addition of vitamins.

While there is clear growth in the noncarbonated beverage market for developed economies, this trend is also showing up in emerging markets. According to a study by Euromonitor, a market research and analysis firm, the noncarbonated beverage market in India is expected to grow faster in 2011 than the carbonated beverage market (around 14% versus 5.6%). Just as in the developed markets, consumers in emerging markets are becoming conscious about their health and have concerns over the presence of pesticides in carbonated beverages. These reasons justify the move toward noncarbonated beverages.

HOW THE INDUSTRY OPERATES

US food and beverage companies have evolved from regional firms that produce goods mainly for local markets to today's corporate giants, which make products for national and international markets. The shift began in the early 1900s, when companies in this sector began to adopt mass-production techniques. At the same time, Americans' increased mobility raised their demand for portable packaged food products.

The US processed food and beverage industry includes establishments that manufacture or process foods and beverages for human consumption, as well as certain related products, such as chewing gum, vegetable oils, and animal fats and oils.

INDUSTRY STRUCTURE

Domestic food companies generally fall into two groups: those engaged in the early or middle stages of making a processed food product, and those involved in the later stages. The US nonalcoholic beverage industry is generally divided into franchise or syrup companies and bottlers.

Portions of the food and beverage industries are quite concentrated, largely due to strong brand names, successful product development, and acquisition activity. For example, products from Coca-Cola and PepsiCo account for more than 70% of US carbonated soft drink sales. Other categories with a relatively high concentration, or a large portion, of sales in the hands of a few companies include ready-to-eat cereals, candy, soup, and baby food.

Food: early- to middle-stage firms

Referred to as "agribusinesses," companies that concentrate on the early to middle stages of food production tend to engage in such activities as the harvesting, milling, or processing of raw agricultural commodities. They also may plant and raise crops, although they primarily buy these commodities from farmers. Agribusiness end products generally are sold to processors and food packagers, which use the ingredients to make finished consumer food products.

Agribusiness companies, such as Archer Daniels Midland Co., Bunge Ltd., and privately owned Cargill Inc., process and merchandise raw grains, like corn, wheat, and soybeans. Their end products include oils, syrups, starches, and meals used in the foods and feed industries, as well as corn sweeteners used in soft drinks. Other food companies—such as meat packers Smithfield Foods Inc. and Tyson Foods Inc., and poultry processor Pilgrim's Pride Corp.—slaughter and process livestock and chickens for retail sale.

Late-stage firms

Companies engaged in the late stages of consumer food production are generally referred to as food manufacturers or food packagers. These companies—including Kellogg Co., H.J. Heinz Co., Hershey Co., and Kraft Foods Inc.—sell their finished goods to food retailers, which in turn sell the products to consumers. We have recently seen a shift toward consumers spending a larger portion of their food dollars for eating at home. However, we think that food manufacturers will continue to experience growth opportunities from offering portable products for consumption by time-constrained, on-the-go consumers out of the home.

BEVERAGE COMPANIES

Franchise companies (or brand owners) are mainly in the business of making soft drink concentrates—flavored syrups that are mixed with carbonated water to produce various beverages. These franchise companies both manufacture and sell products themselves, or they appoint bottlers to sell, distribute, and, in some cases, manufacture these products under licensing agreements.

Brand owners, such as Coca-Cola Co. and PepsiCo Inc., generally own both the beverage trademarks and the secret formulas for their concentrates. They manufacture and sell the concentrates to licensed bottlers, and develop new products and packaging for use by their bottlers. Other important functions include developing national marketing, promotion, and advertising programs to support their brands and brand image, as well as coordinating selling efforts with respect to national fountain, supermarket, and mass merchandising accounts. They also provide local marketing support to their bottlers.

Bottlers are generally responsible for manufacturing, selling, and distributing products under brand names licensed from brand owners in an exclusive territory. For carbonated soft drink products, a bottler buys the brand owner’s soft drink concentrate, which it combines with sweeteners and carbonated water, packages it in bottles or cans, and sells to wholesalers or retailers.

Bottlers usually handle the brand owner’s fountain accounts as well. These accounts are licensing agreements between the brand owner and restaurants, stadiums and arenas, or school cafeterias. The bottler combines the brand owner’s soft drink concentrate with sweeteners to yield syrup, which it delivers to fountain customers. In the noncarbonated beverages category, the bottler either manufactures and packages such products or purchases them in finished form and sells them through its distribution system.

Bottling networks

There are three major soft drink bottling networks in the US and Canada. The largest is the Coca-Cola system, which includes Coca-Cola Refreshments and Coca-Cola Bottling Co. Consolidated, as well as other independent Coca-Cola bottlers. The next largest is the PepsiCo system, which includes Pepsi Bottling Group and PepsiAmericas Inc. The parent company of the third bottling network—much smaller than the first two—is Dr Pepper Snapple Group Inc. In May 2008, ownership of this soft drink business was spun off from candy company Cadbury Schweppes plc, with its successor business now known as Cadbury plc. The major North American bottling systems are not necessarily exclusive. Some Coke or Pepsi bottlers may also handle Dr Pepper Snapple products, for example.

COSTS WITHIN THE FOOD SYSTEM

Most of what US consumers spend on food does not go to farmers. Based largely on data from the US Department of Agriculture (USDA), for domestically produced farm food, we estimate that only about 17% of what consumers end up spending represents its farm value (*e.g.*, agricultural commodity costs). The remaining 83% of what consumers spend on such items reflects various expenditures or allocations that are made as the food makes its way from the farm to the marketplace. Various other expenses incurred in the food pipeline include wages, salaries, and benefits for workers engaged in manufacturing and packaging; transportation and fuel; advertising; depreciation; rent, repairs; utilities; and interest costs.

For food consumed at home, we estimate that farm value represents about 25% of the retail price. For food consumed away from home, we think the agricultural value shrinks to about 5% of the retail price, partly due to the impact of restaurant food preparation and overhead costs on consumer prices.

Where the food dollar goes

A dollar spent by a US consumer on food is shared at multiple levels in the value chain in the food industry. Part of the dollar goes from the farm (commodity level) to the manufacturer to the retailer. In between these broader levels, parts of the dollar are earned by parties involved in marketing, processing, distribution, retailing and distribution, which account for 80 cents of every dollar consumers put in for food and beverages. The Economic Research Service (ERS) at the USDA releases a food dollar series, which gives data on where the food dollar goes. According to the USDA ERS, as of September 2014, of every dollar spent in the US on domestically produced food, farmers received 15.8 cents.

To illustrate the farm-to-retail price share differentials, the National Farmers Union put together a comparison of retail price and farmers' profit per product. One pound of bacon is retailed at $3.99 and $1.09 goes to the farmers, while 10.5 oz. of Lays Classic potato chips is retailed at $3.0 and farmers get $0.20 based on September 2014 prices.

Lower sensitivity to commodity prices

The financial results of packaged food companies are less sensitive to changes in raw material costs than are those of agribusiness companies, the major buyers of such commodities. The processing of agribusiness commodities is a low-margin, low-value-added business. By comparison, there is more value added at the packaging and marketing level; therefore, costs are less commodity-based and margins are easier to maintain from year to year. Marketing costs, which constitute a high proportion of total input costs for packaged food products, tend to be relatively stable.

The packaged food producers' active use of hedging techniques helps to limit their exposure to commodity price fluctuations. Their growing reliance on global sourcing of important raw materials helps further limit the impact of raw material shortages in a given geographic region.

Typically, we think there is likely to be a lag effect in a company's ability to pass along its higher commodity costs to consumers. In our view, rising ingredient costs have placed additional pressure on packaged food companies to operate their businesses efficiently, a focus that we see reflected in restructuring programs that include activities such as the consolidation of manufacturing facilities and reductions in the work force. An example of a company that consolidated manufacturing facilities is PepsiCo, with its acquisition of two largest bottlers, The Pepsi Bottling Group Inc. and PepsiAmericas Inc. in 2010. The acquisitions allowed this food and beverage giant to put together 80% of its North American manufacturing.

AGRICULTURAL COSTS VARY

Various factors affect farmers' acreage allocation for different crops, including the prices they expect to receive and their cost of production. Then, once the crops are in the ground, weather can significantly affect how much is harvested and its quality.

For farmers, the cost structure depends on what they produce. For example, the USDA estimates that for corn, operating costs per planted acre amounted to $356.0 in 2013, compared with just $180.2 for soybeans and $128.2 for wheat. For corn, fertilizer was a much larger expense, especially relative to soybeans. Both corn and soybeans had considerably higher seed costs than wheat. Excluding government payments and overhead items, the USDA estimated a return of $367.6 per acre for corn, $359.92 for soybeans, and $158.5 for wheat in 2013. For each of the crops, the USDA allocated additional overhead costs of between $183.9 and $321.0 per acre, for items such as land (*e.g.*, opportunity cost of not renting it), capital recovery of machinery and equipment, and labor. A substantial part of the allocated overhead costs is likely to be noncash items. However, farmers would have additional cash needs to purchase new equipment for the future. Excluding government payments, but including overhead, corn acreage produced a profit of $46.7 per acre in 2013, while soybeans and wheat averaged $72.6 and $25.4 losses, respectively.

Based on USDA estimates as of May 2014, operating costs and allocated overhead costs will further increase in 2014 and 2015, which will further hurt farmers' margins. Overall, we think that lower profits from wheat have contributed to more US acreage going to corn and soybeans.

WHY ARE FOOD PRICES SO VOLATILE?

Over time, we think various factors contribute to changes in food commodity prices and food demand. These can be best understood as long-term and short-term factors.

Long-term factors affecting food supply and demand

We think longer-term factors affecting food supply include the following:

- **Improved agricultural productivity.** A boost in agricultural productivity caused by advancement in technology over time can help improve supply. New farm equipment, disease resistant varieties of seeds, and similar developments can improve the output level for various crops. According to the November 2013 issue of *Amber Waves*, a quarterly publication by the USDA, evidence points toward healthy but uneven agricultural productivity growth globally.
- **More efficient global distribution/allocation.** With better international infrastructure in place, and new free trade agreements being signed among countries, global distribution should become much more efficient, leading to better allocation of the food supply in the long-term.
- **Amount of land and water resources available.** The amount of arable land and water available for irrigation is an important factor affecting the long-term supply. According to the "World Agriculture: Towards 2015/2013" report published by the Food and Agricultural Organization (FAO), expansion in the land resources available for cultivation will account for around 20% of the growth in agricultural produce until 2030.

Among the longer-term factors affecting food demand, we see:

- **Growing overseas demand due to higher incomes and changing lifestyles.** As populations in developing countries become wealthier and more urbanized, demand for packaged foods should rise.
- **Demographic profile in developed markets.** With an aging population in developed markets such as the US and Western Europe, we think demand for healthier, more nutritious, food is on the rise. Meanwhile, in some other countries, fertility or birth rates are much higher, which can both contribute to population growth and boost demand for food.
- **Bio-energy markets.** Crops such as corn, sugar, and rapeseeds are increasingly being used to produce ethanol to generate energy.

Shorter-term factors affecting food supply and demand

Short-term factors affecting food supply may include the following:

- **Climate change or extreme weather.** Agricultural produce is prone to suffer from excessive rain or drought conditions. Poor harvests are especially likely to affect prices when inventory levels of a crop are relatively low.
- **Trade restrictions.** These include export bans or tariffs.
- **Changes in food stocks/inventories.** Lower inventory generally increases the likelihood of price volatility.
- **Feed costs for livestock.** Crops such as wheat, oat, barley, and canola are used mainly as feed for livestock, and changes in their prices add to food price volatility.

Short-term factors affecting food demand may include the following:

- **Economic conditions.** Recent economic difficulties made consumers increasingly conscious about their spending; many have traded down to lower-cost product categories. In addition, consumers may be less likely to keep extra food in their pantries when money is tight.
- **Fluctuation in currency exchange rates.** A weaker US dollar can boost international demand for US crops, as it gives foreign buyers more purchasing power.

STORE LABELS AND PRODUCER BRANDS

The maturity of the US food and beverage marketplace limits companies' pricing flexibility. One of the best ways to enhance pricing power in this crowded market is to develop customer loyalty through brand awareness. Brand loyalty is the "holy grail" for all US consumer product companies, including those in the packaged food and beverage industries. Due to the importance of brand loyalty in food and beverage industry, it is no surprise that these companies are among the nation's leading advertisers. By supporting their brands with advertising, food manufacturers are better positioned to charge higher prices than they would likely receive for lesser known products or brands.

Private label goods—often, lower-priced products sold under a store's own name or brand—are a constant threat to other branded goods, especially during times of economic weakness. We estimate that private label sales account for about 18% of US food sales and about 13% of US beverage sales, with bottled water boosting the average for beverages. According to the "2014 Private Label Yearbook" of the Private Label Manufacturers Association (PLMA), an international trade association, sales of private-label goods reached $112.2 billion in all US retail outlets in 2013, up 2.2% on a year-on-year basis.

Private labels already have a substantial presence in the more commodity-like grocery categories. In general, consumers are likely to purchase items such as dairy and bakery products based more on price than brand name. However, private label or store brands have extended their reach to virtually every major grocery category, though penetration rates vary. Going forward, we anticipate that private label offerings will increasingly become available in higher-priced product categories, including the growing organic food area.

FOOD AND BEVERAGE DISTRIBUTION

Food and beverage companies distribute their products through various channels. To reach those channels, some companies use a direct-delivery system: they transport the product to a store, stock the store's shelves, and order additional product when needed by the store. Under a warehouse system, companies deliver the product to a warehouse, and the retailer or a third party transports the product from the warehouse to a store.

Channel mix

"Channel mix" refers to the distribution channels through which beverage products are sold and the relative importance of each channel. The primary retail distribution channels for beverages are supermarkets, mass merchandisers, vending machines, convenience stores, fountain accounts (such as restaurants or cafeterias), and other outlets, which include small groceries, drugstores, and educational institutions.

With food that US consumers purchase to eat at home, the importance of traditional grocery stores has declined in recent years, as nontraditional stores such as supercenters and warehouse club outlets have received a growing portion of food spending. With their larger size and variety, and ability to price aggressively, supermarkets have held their own better than other grocery stores. For 2014, S&P estimates that traditional food retailers will account for less than 70% of food expenditures for at-home consumption, down from the 82% reported by the USDA for 1994.

GETTING IN AND STAYING IN

On a local level, the barriers to entry in the US food and beverage industry are relatively low: the technological skills and financial resources required are not substantial. Although costs related to marketing and distribution are potentially significant, they can be kept to a minimum if there are enough neighboring food establishments where a company's products can be sold.

To succeed on a larger scale, however, the barriers are very high indeed. The capital requirements needed for manufacturing facilities alone can be prohibitive. Considering the high costs of marketing and distribution, it is little wonder that large corporations produce most of the packaged food and beverage products today.

Growth strategies

Given the capital requirements for large-scale production, food processors have three means of achieving growth. We focus on acquisitions, expanding distribution channels, and international sales.

◆ **Acquisitions.** For many years, the fastest and most reliable way to increase sales in the highly mature food and beverage industry has been to acquire other businesses. However, unlike diversification efforts in the 1970s and 1980s, when food and beverage companies bought completely unrelated businesses, acquisitions since the 1990s tend more often to be "add-ons"—lines of business that complement the acquirer's existing operations.

◆ **Expanding distribution channels.** Until recently, there was a steady long-term increase in away-from-home eating, and many food and beverage companies have aggressively expanded their distribution outlets to reach more places where today's consumers go to eat. This includes selling products to companies that specialize in distribution services (such as Sysco Corp.) or to food service businesses directly.

Companies such as H.J. Heinz, ConAgra Foods Inc., and Campbell Soup Co. have formed divisions that are responsible for distributing the company's grocery items through "food service outlets"—retail locations other than supermarkets. This strategy helps them participate directly in what was a long-term trend toward away-from-home eating and can serve as a relatively low-cost way to test-market new products.

◆ **International sales.** International expansion lets companies participate in markets that may be growing faster or are much less competitive than the domestic market. Many of the major US food and beverage companies initially entered foreign countries through joint ventures with local companies—a relatively low-cost way to participate in overseas markets that requires less initial investment than an outright acquisition. Through a joint-venture relationship, a US company can learn from its partner about the market's unique customs, tastes, and regulatory issues. Once they have this market knowledge, many US companies acquire their joint-venture partners and build on their businesses through more joint ventures or acquisitions.

Low volatility in business cycles

Companies in the processed food and beverage industries make products that are staples, and thus generally are less sensitive to declines in business activity than are companies in other industries. Because people must eat, they purchase food and drinks frequently; demand does not fluctuate significantly. As a result, food and beverage companies are considered defensive in nature and have historically been safe havens for investors during domestic economic downturns.

REGULATION

Almost all food and beverage products in the United States are subject to regulations administered by the US Food and Drug Administration (FDA), or, for products containing meat and poultry, by the USDA. Among other activities, these agencies enforce statutory prohibitions against misbranded and adulterated foods, establish ingredients and/or manufacturing procedures for certain standard foods, set standards of identity for food, determine the safety of food substances, and establish labeling requirements for food products.

In addition, individual states can be involved in the regulatory process. States may license and inspect food and beverage production facilities located within their borders. They may also enforce federal and state standards for identifying and grading products. Some impose their own labeling requirements, while many regulate trade practices concerning the sale of certain types of products.

Many food commodities on which food and beverage businesses rely are subject to governmental agricultural programs. These programs, which can have substantial effects on prices and supplies, are subject to congressional review. Looking ahead, we expect that a growing emphasis on marketing the prospective health benefits of foods will place increased pressure on regulators to review and monitor the characteristics and labeling of such products.

FOOD AND BEVERAGE TRADE

With approximately three-quarters of its profits generated in North America, the US packaged food industry is less exposed to developing and emerging markets than are beverage companies. This insulates it from the risks of foreign operations and provides a measure of profit protection when economic problems arise in other parts of the world. In contrast, beverage industry giants Coca-Cola and PepsiCo derive substantial profits from foreign operations. Thus, both companies have seen profits reduced periodically by negative foreign currency translations and regional variability in demand.

Nonetheless, both sectors are becoming more global due to the maturity of their markets in developed nations. The US is among the world's leaders in both exporting and importing food and beverage products. The value of agricultural imports totaled $103.8 billion in 2013, according to the USDA, while the value of agricultural exports was $140.9 billion. In August 2014, the USDA forecast that agricultural exports would total $144.5 billion in fiscal 2015 (ending August 2015), down about 5.2% from an estimated $152.5 billion in fiscal 2014. With imports estimated to increase about 6.8% to $117.0 billion, the trade surplus is expected to increase to $27.5 billion versus an estimated $43.0 billion in fiscal 2013.

Among both US exports and imports of foods, most of these processed foods have been characterized as "minimally processed" rather than "highly processed." Minimally processed products include fresh and frozen meats, frozen fish, soybean oil, and canned fruits and vegetables. Worldwide, the US is a leading supplier in these industries, reflecting the nation's efficiency in field crops and meat and poultry production.

Although minimally processed products should continue to account for most exports in coming years, we expect that an increasing proportion of US processed food exports will be highly processed brand name products, such as Wrigley chewing gum, Kellogg cereals, and Frito-Lay snacks. We think future growth of such products will be driven principally by rising incomes, plus changing demographics and eating habits in many developing countries.

KEY INDUSTRY RATIOS AND STATISTICS

◆ **Disposable personal income (DPI)**. Reported each month by the US Department of Commerce's Bureau of Economic Analysis (BEA), this figure is a measure of Americans' income after taxes. Changes in disposable personal income can influence how much consumers spend on food and beverage products. Although the quantity of such products consumed tends to remain relatively steady during both good times and bad, consumers are more likely to "trade down" to less expensive private label goods during recessions. Conversely, in good economic times, sales of branded packaged food and beverage products tend to get a boost.

US disposable personal income was up 3.1% in 2013, following an increase of 3.9% in 2012. According to BEA, DPI increased 0.2% in October 2014 on a month-on-month basis.

◆ **The Consumer Price Index (CPI).** Released monthly by the Bureau of Labor Statistics (BLS), a division of the US Department of Labor, the CPI for urban consumers measures the rate of price changes in a representative "basket" of consumer goods. This figure is used as a proxy for measuring inflation (or, more rarely, deflation) in the general economy. As of October 2014, Standard & Poor's Economics was projecting a 1.9% CPI rise in 2014, following a 1.5% rise in 2013.

The BLS reports that the CPI (unadjusted) for all urban consumers was up 1.7% in the 12 months ended September 2014. In March 2014 alone, the seasonally adjusted CPI was up 0.1% from that of the prior month, while the food index was up 0.3%, and the energy index was down 0.7%.

◆ **The Producer Price Index (PPI).** This measure, compiled by the BLS each month, tracks price inflation (or deflation) for raw materials that are used by the US manufacturing sector. The PPI is helpful in assessing the cost pressures facing manufacturers in general.

A rise in the PPI may reflect cost pressures that hurt profit margins, because companies in the food and beverage industries normally cannot alter their selling prices quickly enough, or at all, to pass costs along to customers. They are largely constrained by two factors: a high level of price competition and, in some cases, contractual commitments with retailers that restrict price increases. During some or all of 2006–2007, Standard & Poor's Economics saw food manufacturers facing increased cost pressures from various raw materials or ingredients, including corn, wheat, soybeans, and milk.

In September 2014, the unadjusted finished consumer foods price index was up 5.30% on a year-on-year basis. On a seasonally adjusted basis, the PPI for finished consumer foods was down 0.8% in September 2014 from August 2014, following a 0.3% dip the previous month.

◆ **Intermediate foods and feeds index.** A subcomponent of the PPI compiled each month by the BLS, this index measures the prices of important commodities—such as flour, refined sugar, and vegetable oils—that require further processing to become finished food products. For the food industry in particular, this measure is more helpful and specific than the overall PPI.

In September 2014, the unadjusted index for intermediate foods and feeds was up 4.2% from the year-ago level. On a seasonally adjusted basis, it was up 0.6% from the prior month, August 2014. The 4.2% year-to-year increase as of September 2014 included a 1.5% decrease from refined sugar and byproducts and a 4.2% decrease from prepared animal feeds. There was a 5.3% increase from processed poultry and an 14.2% rise from dairy products.

◆ **Crude foodstuffs and feedstocks index.** This subcomponent of the PPI, compiled each month by the BLS, measures the prices of commodities in an earlier stage of the production process. It includes such items as fluid milk, slaughter cattle, wheat, and corn. For the food industry as a whole, this index could be a leading indicator of future price changes in intermediate and finished products.

In September 2014, the unadjusted index for crude foodstuffs and feedstocks was up 8.0% from the year-ago level. On a seasonally adjusted basis, it was up 2.4% from the prior month (August 2014). The 8.0% year-to-year increase in September 2014 withstood a 32.3% decrease from corn, a 24.7% decline from oilseeds, a 5.6% decrease from wheat, and a 1.5% decline from raw cane sugar and byproducts. There was a 31.2% rise from slaughter cattle, a 22.7% increase from slaughter chickens, 13.4% from slaughter turkeys, and a 24.4% rise from raw milk.

◆ **Ending stocks-to-use ratio for agricultural crops.** This is a way to look at inventory levels for agricultural crops, relative to recent use levels. For example, if at the end of a crop season, ending stocks totaled 10 million bushels, and the use of that crop in the most recent season was 50 million bushels, the leftover crop equaled 20% of recent use. A relatively low ending stocks ratio may set the stage for upward price pressure on future crop prices, especially if the upcoming harvest is disappointing. However, year-end inventories may exclude some early production from the new season.

◆ **Interest rates.** The level and direction of interest rates may influence how active a company will be in making acquisitions and in other uses of cash, such as capital expenditures, dividends, and stock repurchases. High or rising interest rates increase the cost of borrowing; this in turn may reduce companies' willingness to make big outlays, such as those needed to undertake a sizable facility expansion or a share repurchase program. The reverse is also true: low or falling interest rates decrease the cost of borrowing, thus making capital expenditures and the like more affordable. Longer-term US interest rates can be influenced by various factors, including credit demand, foreign investors' interest in owning US debt, and the US inflation rate.

As of October 2014, Standard & Poor's Economics was projecting that the interest rate on three-month Treasury Bills (a proxy for short-term interest rates) would average 0.1% in 2013 and that it is expected to dip to 0.0% in 2014, before increasing by 0.6% in 2016. The 10-year Treasury Note Yield (a proxy for longer-term rates) was projected to average 2.4% and is expected to increase to 2.6% and 3.4% in 2014 and 2015, respectively.

◆ **Currency exchange rates.** The exchange rates between the US dollar and foreign currencies are increasingly important, given the rising proportion of US food and beverage industry sales derived from markets outside the United States. For companies with significant operations in foreign markets, a decline in the value of the US dollar compared with foreign currencies generally boosts reported profits that are denominated in US dollars. This is because the foreign profits are translated into more dollars after foreign currency exchange rate translations. The reverse is also true: an increase in the value of the dollar relative to foreign currencies generally hurts the amount of reported dollar-denominated profits.

Most of the long-established US food and beverage companies have sizable operations in Japan, the United Kingdom, and Europe, making the exchange rate of the US dollar against those regions' currencies (the yen, pound, and euro, respectively) particularly important to reported industry profits. However, the impact of currency translation on dollar-denomination profits does not necessarily reflect a significant change in the underlying health of the company. In general, strengthening of the dollar is likely to hurt reported revenues and profits from foreign markets, while a weaker dollar is beneficial. However, the impact can be limited by hedging in the foreign currency markets.

◆ **Imports and exports.** Agriculture, food, and nonalcoholic beverages are global industries, and there is a considerable amount of related trade between various geographic regions. US food and beverage companies may have opportunities for growth in foreign markets that exceed their prospects in the US, due to such factors as rising income levels overseas. Alternately, we see the diversity of the US population leading to a growing interest in ethnic foods, some of which may already be more significant product areas in foreign cultures and markets. (A monthly USDA report on agricultural imports and exports is at http://www.ers.usda.gov/data-products/foreign-agricultural-trade-of-the-united-states-(fatus).aspx.)

HOW TO ANALYZE A FOOD OR BEVERAGE COMPANY

A number of qualitative and quantitative factors should be considered when evaluating a food or beverage company. We focus on these elements below.

QUALITATIVE ISSUES

It is important to consider how well a company is positioned and managed. Analysts making such assessments ask various questions. How big is the company, and does it exploit the potential advantages of being either large or small? Can it raise the capital needed to maintain its operations and to grow? Has the company differentiated itself from its rivals in ways that give it a competitive advantage? What is the likelihood that other companies will turn up the competitive heat in its particular markets?

Product mix

When studying a packaged food or beverage company, one of the most important things to note is its product mix. Ideally, the company produces hard-to-copy goods with leading market shares and premium prices in growing categories. That situation is more often the exception than the rule, but it should be an important goal of any company that wants consistent sales and profit growth in the highly competitive food and beverage industries.

One way that a company can differentiate its products in the minds of consumers is to develop well-recognized and highly regarded brand names. Effective brand management fosters all-important consumer loyalty, which in turn creates the opportunity for market share growth and above-average pricing flexibility and profitability. A strong brand name also creates an opportunity for product line extensions and, in some cases, licensing fees and royalties.

Business mix

Observe the trends in a company's business mix. Has the company been acquiring or divesting businesses? It is important to learn what is behind such activity. In some cases, a company can create synergies by combining similar businesses, with benefits including increased purchasing power, capacity utilization, and more products to send through an existing distribution network. However, acquiring multiple businesses with little in common can spread a company's financial and managerial resources too thin. In addition, overpaying for acquisitions that do not contribute to a company's earnings in the near term can be a strain on profit margins and finances.

We also advise looking at a company's product development efforts. How much is it spending on research and development, both in absolute dollars and as a percentage of sales? To what extent are new products contributing to overall sales?

Regulatory environment

With the growing interest in and popularity of organic and enhanced (*e.g.*, with added vitamins) foods, and with concerns about food safety, we view the regulatory environment as increasingly important for food and beverage companies. We advise monitoring whether a company has incurred significant product recalls, and whether governmental or safety groups are calling attention to safety concerns related to a company's products. However, in our view, one should keep in mind that a product recall does not mean there is a problem or a concern related to all of a company's products.

Information or definitions related to organic food can be found at the US Department of Agriculture's (USDA) website, at http://www.nal.usda.gov/afsic/pubs/ofp/ofp.shtml.

Geographic diversity

A company's current geographic reach and its plans for international expansion are also important. Over the years, many major US food and beverage companies have fueled growth by expanding into international markets. We see a growing emphasis on developing markets such as Russia, China, and India. Some food and beverage companies now receive much of their current income from abroad.

Diversification can help smooth earnings trends, as growth in one market can offset weakness in another. For some companies, however, international expansion can include sizable investments (acquisitions, new manufacturing facilities), which can hurt near-term earnings and do not guarantee an eventual payoff. Sometimes, in an effort to facilitate growth in a new market, a US company may work with a local joint-venture partner that may already have established infrastructure and relationships.

Keep in mind that fluctuations in foreign currency values can influence the way that financial items (*e.g.*, sales and earnings) are reported in US dollars. For companies with significant operations in foreign markets, a decline in the value of the US dollar compared with foreign currencies generally boosts reported US dollar profits. This is because the foreign profits are translated into more dollars after foreign currency exchange rate translations. The reverse is also true: an increase in the value of the dollar relative to foreign currencies generally hurts the amount of reported dollar-denominated profits.

Moreover, remember that the impact of currency rate fluctuations on dollar-denominated profits does not necessarily reflect a significant change in the underlying health of the company. For example, if the US dollar appreciates relative to the euro, sales made in various European countries would translate into fewer dollars for US companies, even if sales measured in the local currencies are looking better. Information on foreign currency rates can be found on the financial pages of various periodicals, and on a number of websites.

Although we think the long-term outlook for international sales is generally favorable, companies with business outside the US can also be affected by various trade factors, including tariffs, quotas, or even bans on some of their products.

Management

S&P Capital IQ looks favorably on seasoned management teams that have performed well, compared with their peers, in both good times and bad. However, some executives may be particularly good at containing costs, while others are better at creating new products or managing expansion. In evaluating a company, it is a good idea to look at top- management's track record—either at that company or at other firms—and to assess whether the skills demonstrated in the past match up well with the company's current needs or goals.

Financial strength

In assessing a company's financial strength, it is important to look at whether it is likely to have enough cash to operate its business well. We advise comparing the company's cash interest costs with the amount of operating cash flow (before interest costs) that the business is expected to generate. It is also important to determine if a company is likely to seek additional funds (*e.g.*, offering debt or equity) in the future, either to finance current operations, refinance existing debt, or to grow.

A company's financial strength affects its access to funds. We advise investors to look at whether a company's debt has been rated by one of the major credit agencies, such as Standard & Poor's Ratings Services or Moody's. In general, debt instruments with a higher credit rating carry a lower interest rate than do those issued around the same time with a lower credit rating. However, once debt has been issued, the rating agencies may raise or lower their assessments in response to changes in business conditions.

QUANTITATIVE MEASURES

When assessing any company, it is important to analyze income statement, cash flow, and balance sheet data. The measures of particular importance to food and beverage companies are described below.

Analyzing the financial statements

Looking at financial statements is important. Sources of information include quarterly and annual reports to shareholders, filings with the Securities and Exchange Commission (SEC), and reports put out by advisory firms (such as S&P Capital IQ and Value Line) and brokerage companies.

Investors are increasingly able to hear corporate managements talk about their businesses, via conference calls or company-provided Webcasts, often around the time that they release their quarterly earnings. Sometimes there are presentation slides available at company websites. There are various significant financial considerations one should be aware of when analyzing a food or beverage company. We describe these considerations below.

Sustainability of revenues and earnings

When looking at both revenues and profits, try to determine whether contributions to the current results are likely to recur in future periods. If one-time factors have either inflated or depressed results in a prior period, these should be examined as well. For example, earnings may be unsustainably high due to a gain from an asset sale; conversely, they may be unusually low because of a restructuring charge or a one-time write-down in the value of an asset. Other items that can cause peculiarities in reported profits include unusual tax rates or the cumulative effect of an accounting change. If a particular earnings report contains a significant amount of one-time items, it is advisable to adjust the reported numbers to what would be considered “normalized” levels. This may provide a better base from which to project future levels of earnings.

However, we advise looking at “one-time” items as well. The size, nature, and frequency of restructuring charges, write-downs, and asset sales gains can reflect strategic changes by management. In addition, such measures as return on overall investment (including the benefits or charges related to assets that were divested) show how well a company has been managed over time.

One-time items can have significant implications for future results as well. For example, a restructuring charge can lead to cost savings in subsequent periods. In addition, while future operating results are likely to depend primarily on results from “continuing operations,” the company’s level of profit and loss from “discontinued operations” provides a view of how earlier investments have fared.

Furthermore, some ongoing costs of doing business can change significantly due to macroeconomic and industry factors, or world events. For example, agricultural costs could rise due to drought conditions, or higher energy costs could result from political changes.

While Wall Street often focuses on short-term profits, we think that longer-term performance (five or 10 years) should also be assessed during a company evaluation. “Normalized” results (which exclude financial items generally expected to be nonrecurring, such as gains on asset sales and restructuring charges) should be considered, along with results that reflect all profit and loss factors, including one-time items.

Accounting items to review

There are various corporate accounting issues to consider. For example, an analyst should consider if the company has significant pension or employee benefit plans, and if it is accounting for them in a realistic and conservative manner. Also, keep in mind that a change in accounting standards can affect year-to-year comparisons when calculating growth rates for key items such as earnings.

Looking at the income statement

When analyzing a food or beverage company’s income statement, there are a number of important items to assess. Sales, profit margins, and earnings per share are among the major items that we discuss below.

◆ **Sales.** In reviewing sales, growth is good to see—but it is also relative. A company's sales growth rate should be compared with those of both its markets and its competitors. It is important to determine what is behind any sales growth. Does it come from price increases or volume gains? Has the company made acquisitions? Is the company gaining market share, or is it just riding market growth?

For many companies (especially beverage companies), it is also important to look at sales growth over a full year or on a year-over-year basis, rather than making sequential (quarter-to-quarter) comparisons. Seasonal factors can influence sales in any given quarter. Sales in quarters with warmer months typically constitute a greater proportion of total sales than sales in quarters with colder weather.

◆ **Profit margins.** Profitability ratios or margins are measures of how successful a company is in turning revenues into profits. When analyzing profitability ratios, the analyst should compare a company against its own past performance and against the performance of similar companies. In our view, trends in profit margins should be evaluated. A number of factors—including acquisitions, fluctuations in necessary raw material costs, and changes in pricing—can cause significant volatility.

A company's cost structure should be examined. How important are costs of raw materials (*e.g.*, ingredients) and labor? If raw materials are significant and their costs can be volatile, we advise trying to learn if the company has locked in a price on some of the costs for the year ahead. (Locking in a price is sometimes known as hedging.) If the company's cost structure is significantly subject to fluctuations in commodity prices, it is a good idea to keep an eye on the level and direction of such prices. Details on current and expected prices can be found in the financial pages of such newspapers as *The Wall Street Journal* and *The New York Times*, and on various websites.

A company's gross profit margin, which largely reflects manufacturing costs, will depend largely on the product mix and how it runs its business. Companies such as Coca-Cola and Kellogg Co. have among the highest gross profit margins in the food and beverage industries, helped by their strong brand names and high market share positions.

A company's operating margin performance includes selling, general, and administrative expenses. Marketing tends to be a significant cost for food and beverage companies, and is likely to influence sales growth. If a company has a good marketing plan, an investment in advertising and promotion should help enhance and bolster future sales. If a company scrimps on marketing outlays, longer-term growth prospects may diminish.

If a company has provided good support for its brand and has a product that consumers like, this should help it to charge a premium price for a branded product and raise prices when necessary without causing a proportionate reduction in demand. In comparison, so-called private label products (typically store brands) are likely to receive less brand support, but tend to sell at lower prices.

We advise keeping an eye on a company's overall operating profit margin. If it starts to narrow, this could be a warning signal that the company's cost structure is deteriorating. However, keep in mind that sometimes a company will incur additional short-term costs from which it expects to receive longer-term benefits.

A company's attention to cost containment can also be reflected in restructuring efforts, which often involve such actions as employee reductions, plant closings, and/or divestitures. We advise looking at whether a company's restructuring efforts seem to be directed at a logical and favorable strategic result.

The net profit margin reflects net income divided by sales (*i.e.*, how much of each sales dollar ends up as after-tax income). For some processors of commodity-oriented food products, such as vegetables and livestock, net profit margins over the long-term are likely to be relatively low—about 1% to 4%. Archer Daniels Midland Co. and Tyson Foods Inc. are two companies in this category. For some packaged food producers, such as Kellogg and H.J. Heinz, net profit margins have typically ranged from 6% to 12%.

A similar dichotomy is seen among beverage companies. For bottlers—the beverage companies that principally bottle and distribute the final product—net profit margins are relatively low; the common range is 2% to 4%. This reflects the high level of amortization of goodwill charges and acquisition-related interest expenses inherent in operating such a business. However, for companies such as Coca-Cola and PepsiCo Inc., which produce the syrups used in soft drinks, net profit margins are typically much higher.

◆ **Earnings per share (EPS).** Earnings per share can be analyzed in a number of ways. Be on the lookout for special (sometimes called "extraordinary" or "nonrecurring") items, such as asset sales and restructuring charges (*e.g.*, for plant closings or employee layoffs) that can significantly affect the reported EPS. Adjusting EPS to exclude special items may provide a more meaningful growth comparison between different quarters or years. In addition, adjusted EPS can be an important benchmark for valuing the company's stock against those of its peers, as well as against companies outside the industry. However, keep in mind that special charges may occur regularly over a multiyear period, and this should be considered when assessing the business.

US accounting standards give companies substantial flexibility to prop up per share earnings, at least for a short time. For example, this can be accomplished by repurchasing stock or by stretching out a depreciation schedule. In addition, year-to-year results may be affected by a more extensive accounting change, such as using a different method for valuing inventory.

Cash flow analysis

Reported earnings do not always provide a clear reflection of cash flow generation or financial strength. It is important to evaluate businesses based on how much cash they generate and absorb. These figures may differ substantially from reported earnings. To analyze sources and uses of cash, we advise consulting a company's consolidated statement of cash flows.

When looking at the income statement, be mindful that some expenses—such as depreciation, amortization, and write-downs in asset values—are likely to be noncash items (which do not require an outlay of cash). These noncash items tend to make a company's pretax operating cash flows higher than its reported operating profit.

However, companies frequently have cash outlays that are not included on the income statement, such as capital expenditures on new construction and renovations, debt repayment, and dividends to shareholders. These items, which appear on the cash flow statement and are reflected on the balance sheet, are sometimes discretionary and should be considered when evaluating a company's cash flow.

Most large US food and beverage companies have excess cash that can be used for things other than just maintaining existing equipment. It is important for a company to find the optimal balance between reinvesting surplus cash in its businesses and using the cash to reward present shareholders. In recent years, most US food and beverage companies have allocated a relatively large portion of their excess cash to shareholders' return, through stock buybacks and dividends. A company's dividend policy and stock repurchase activity may be affected by a variety of factors, including how much cash it generates and what the tax laws are.

In our view, it is important to consider the liquidity (access to cash) of the company itself, as well as that of its suppliers and customers. The ability to produce a product could be hurt if a supplier experiences cash flow difficulty, and is unable to supply needed ingredients or materials. Financial problems for a distributor or a retailer could also affect a company's ability to get paid in a timely manner for a product shipment.

Balance sheet analysis

Balance sheet ratios may offer a view of a company's financial health. They also may indicate how well a company is putting its assets or capital to work. Book value measures the balance sheet value of a company's assets minus its liabilities. Particular attention should be paid to "tangible" book value, which gives credit to assets like land, buildings, and equipment, but excludes items such as goodwill (which may include a portion of the purchase price of previous acquisitions).

Keep in mind that balance sheet valuations may not reflect assets' replacement cost or their worth to someone else. In addition, the extent to which intangible assets (like a brand name or customer loyalty) contribute to a company's worth may not be adequately reflected in a company's book value, even though they may add greatly to the company's worth.

Also, look for non-core assets that could possibly be divested, generating proceeds that may be used to reduce debt, repurchase stock, or invest in other businesses. When considering significant potential divestitures, it is advisable to take into account whether an asset sale likely would lead to a sizable tax bill.

It is also advisable to consider whether a company's physical assets are being adequately maintained or refreshed. For companies that own properties, a portion of capital spending typically goes toward maintaining or refreshing their facilities. This is sometimes known as maintenance capital expenditures, the level of which (actual or expected) may be detailed in company news releases or conference calls. Other capital expenditures may be oriented toward expansion or growth (expanding manufacturing capacity).

Keep in mind that a company may own less than 100% of some of its assets. In cases where a company has a majority ownership interest in an asset or business, the smaller ownership stake of its partner(s) may be reflected on the liability side of the balance sheet in a line item known as "minority interest." Alternatively, if a company owns less than 50% of an asset or a business, this may be reflected on the company's balance sheet in a line item related to "investments."

A company's success in investing its capital is indicated by ratios like return on assets (ROA) and return on equity (ROE). In these calculations, annual net income is typically divided into an average asset or equity level during the year being examined.

Balance sheet ratios should be examined to spot possible cash flow problems. A significant change in a company's current ratio (the ratio of current assets to current liabilities) can signal a potential drain in the capital needed to run the business. An unusual inventory increase could lead to an asset write-down (because accounting rules require that product inventories be carried as close to their "market value" as possible) or a slowdown in production. The rate of inventory turnover (measured by the ratio of inventory to sales) can reveal productivity changes and production bottlenecks.

The ratio of long-term debt to total capitalization varies considerably among the major food and beverage companies. However, companies with strong and relatively stable cash flow should generally be able to accommodate higher relative debt levels.

In general, we see leading US food and beverage companies averaging a ratio of long-term debt to total capital in the area of 30% to 40%. The "optimal" amount of long-term debt depends on numerous variables; therefore, it is difficult to arrive at an exact figure. Analysts must weigh the benefits of higher debt, which could leverage EPS growth and shareholder returns, with the benefits of a "cleaner" balance sheet, which is likely to provide a higher degree of safety and more ready availability of funds. Too much debt increases financial risk, but too little might mean missed opportunities.

Also, consider whether the company has any commitments or prospective liabilities that are not included on its balance sheet. This could include a conditional guarantee to repay debt of another firm (such as a franchisee) or a commitment to buy back, upon request, some of its own debt at a future point. Try to determine the existence or likelihood of any triggering events (*e.g.*, weaker operating results) that could cause debt holders to demand early repayment.

VALUATION MEASURES

Valuation measures are used to determine how much a company or its stock is worth. Common measurements include multiples of cash flow and earnings, with growth rates being used as a tool in deciding which multiple to pay.

Keep in mind that valuations depend on various factors, including overall investor sentiment, industry conditions, the level of interest rates, and the extent to which future earnings seem predictable. As is the case with other measures, valuations of a particular company should be compared with those of similar companies in the same industry.

◆ **Price/earnings (P/E) ratio.** When valuing a company's stock, a good place to start is the basic investment ratio of stock price to EPS, called the price/earnings ratio. This ratio (or multiple) is useful in judging a company's performance relative to firms in the same industry, as well as in other industries.

In recent years, the major US food companies have tended to command higher P/E ratios than companies in other mature industries. This is attributable to the industry's relatively good earnings performance, above-average financial health, and low investment risk profile during this time.

◆ **Cash flow multiples.** Companies may also be valued at a multiple of historical or projected cash flow. In an environment where there is considerable acquisition activity occurring, it may be helpful to look at prices that are being paid for companies. However, the acquisition environment may change: just because one company has been acquired, does not mean that another one will be purchased. ■

GLOSSARY

Antioxidant—A substance found in various foods that may protect against an acceleration of the aging process, and the onset or development of some diseases. Foods thought to contain antioxidants include various types of berries and beans, broccoli, garlic, and soy.

Caffeine—Found in many leaves, seeds, or fruits, caffeine can be a nervous system stimulant. Common sources include coffee, cola nuts, tealeaves, and cocoa beans.

Calorie—The amount of energy needed to raise the temperature of one gram of water, from a standard starting point, by one degree centigrade.

Energy drinks—Beverages that contain relatively high levels of caffeine and may also include ginseng. Well-known examples include Red Bull and Rockstar.

Enriched foods—Foods with vitamins or minerals added to replace those lost when the food was processed.

Fiber—With food, this typically refers to parts of fruits, vegetables, grains, nuts, and legumes that cannot be digested by humans. High-fiber diets may reduce risks of some disease.

Fortified foods—Foods with additives (typically minerals or vitamins) that are intended to provide a benefit, such as combating a deficiency in the body or preventing disease.

Functional beverages—Also called new age beverages, this category includes "all-natural" juices and iced herbal teas. Manufacturers seek to distinguish this category from traditional soft drinks by emphasizing health benefits and using innovative packaging designs.

Functional confectionery—Confectionery items (such as cough drops and chewing gum) with decongestant, analgesic, antacid, or teeth-whitening properties.

Functional foods—These are foods or ingredients that may provide health benefits that go beyond basic nutrition, such as lowering or preventing the risk of some disease.

Genetically engineered (or modified) food—To produce such food, foreign genes are inserted into the genetic code of a natural item, such as a plant or an animal.

Going green—A philosophy or process in which businesses or individuals emphasize renewable resources, conservation, and concern for the natural environment. In the food industry, this may include reducing energy usage, carbon emissions and waste, and using recyclable materials.

Natural food—Typically, foods that are minimally processed and have no preservatives. Unlike "organic," however, which has been defined by the USDA, "natural" has no official or certified USDA definition when applied to foods, and thus is not interchangeable with "organic."

Nutraceuticals—Sometimes considered synonymous with "functional," nutraceuticals are ingredients or foods that may provide health benefits that go beyond basic nutrition. This may include enhancing the body's digestive system, and preventing, treating, or reducing the risk of disease. Examples include beta-carotene (found in carrots and various fruits); insoluble fiber (*e.g.*, wheat bran); prebiotics or probiotics (found in yogurt) and soy protein. Nutraceuticals may also refer to products taken from foods and sold in medicinal forms.

Nutrient—A substance (*e.g.*, proteins, carbohydrates, and vitamins) that can be metabolized by an organism to provide energy and build tissue.

Omega-3 fatty acids—Essential fatty acids found in certain fish and vegetable oils; possible benefits of eating Omega-3 fatty acids are thought to include reducing the risk of cardiovascular disease.

Organic foods—These foods are typically produced by farmers who emphasize the use of renewable resources and the conservation and quality of soil and water. In the US, there are USDA standards for a food to be certified as organic. For example, organic meat, poultry, eggs, and dairy products are expected to come from animals that are given no antibiotics or growth hormones. In addition, according to the USDA, organic food is produced without the use of most conventional pesticides, fertilizers made with synthetic ingredients or sewage sludge, bioengineering, or ionizing radiation. Farms and processors that handle organic food must undergo a USDA-related certification process. However, the USDA makes no claims that organically produced food is safer or more nutritious than conventionally produced food. A product that carries the USDA-Organic seal must be at least 95% organic.

PET (polyethylene terephthalate)—A thermoplastic polymer resin of the polyester family that is used to make containers for foods, beverages, and other liquids.

Private label—Products that are often marketed and sold under a retailer's own brand, or under the brand of a distributor or wholesaler. Many supermarket chains sell products under their own labels. These goods may be produced by a company's own facilities or by another manufacturer. Private label goods are likely to be sold at less expensive retail prices than non-private label products from national brand food manufacturers. However, private label goods also may receive considerably less advertising support.

Probiotics—Dietary supplements that contain potentially beneficial bacteria, yeast, or microorganisms; may be found in foods such as yogurt, cereal, and cheese. Possible benefits include helping with digestive problems. *Prebiotics* are non-digestible carbohydrates that act as food for probiotics and encourage the growth of generally beneficial bacteria in the intestines.

Ready meals—Prepackaged meals that are canned, frozen, dried, or fresh and are meant to be consumed immediately as is, or at the convenience of the customer following minimal reheating at home.

Slotting fee—Fees charged by retailers to secure premium shelf positioning in stores. Manufacturers that pay slotting fees may have their products placed at favorable positions within store aisles; those that do not will have their products placed on less prominent shelves.

Stockkeeping unit (SKU)—An individual product with a separate universal price code (UPC), a number given to every item to distinguish it from other merchandise for inventory and accounting purposes.

Stocks-to-use ratio (S/U)—For any given commodity, S/U is the level of carryover stock as a percentage of the total use of the commodity; it is a measure of commodities' supply and demand interrelationships.

Sustainable agriculture—A food-growing process that is thought to be relatively healthy or favorable for consumers, animals, and the environment. Techniques used include conservation and preservation of land and other natural resources, crop rotation and minimal use of chemical pesticides, good care for animals, and fair treatment of workers.

Trans fats—Fats that may raise "bad" (LDL) cholesterol levels and reduce "good" (HDL) cholesterol levels. Trans fats are naturally found in such foods as beef, butter, and milk, but are also found in processed foods such as margarines and frying fats, snacks, and baked goods.

Whole grains—Complete grain seeds/kernels (including the bran, germ, and endosperm), the consumption of which is thought to reduce the risk of cardiovascular disease. The whole grains most familiar to consumers include wheat, corn, oats, brown rice, barley, buckwheat, millet, quinoa, and rye. ■

INDUSTRY REFERENCES

PERIODICALS

Beverage Digest
http://www.beverage-digest.com
Biweekly newsletter; covers trends, news, and issues in the US beverage industry.

Beverage Industry
http://www.bevindustry.com
Monthly; covers trends and issues in the US beverage industry.

Beverage World
http://www.beverageworld.com
Monthly; covers trends and issues in the US beverage industry.

Food Processing
http://www.foodprocessing.com
Monthly; covers strategic and technological issues facing the US food packaging industry.

Milling & Baking News
http://www.bakingbusiness.com
Biweekly; covers the US milling and baking industry.

Progressive Grocer
http://www.progressivegrocer.com
Trade magazine providing information to the retail food industry; published 18 times a year.

Supermarket News
http://www.supermarketnews.com
Weekly trade magazine covering the food distribution industry.

TRADE ASSOCIATIONS

American Beverage Association
http://www.ameribev.org
Trade association for US nonalcoholic refreshment beverage industry.

Grocery Manufacturers Association
http://www.gmaonline.org
Trade association of food, beverage, and consumer products companies.

International Dairy Foods Association
http://www.idfa.org
Group seeking to represent the nation’s dairy manufacturing and marketing industries and their suppliers.

National Confectioners Association
http://www.candyusa.com
Association seeking to represent the confectionery industry.

Organic Trade Association (OTA)
http://www.ota.com
Membership-based business association for the organic industry in North America.

Private Label Manufacturers Association (PLMA)
http://www.plma.com
Trade association for the private label product industry. Organizes trade shows, publishes a newsletter and yearbook, conducts market research, and represents the industry in Washington.

GOVERNMENT AGENCIES

Bureau of Labor Statistics (BLS)
http://stats.bls.gov
Principal fact-finding agency for the federal government in the broad field of labor economics and statistics; a division of the US Department of Labor.

The Food and Agriculture Organization of the United Nations (FAO)
http://www.fao.org
Seeks to help developing countries modernize and improve agriculture, forestry, and fisheries practices, and ensure good nutrition. A source of information related to food and agriculture.

US Department of Agriculture (USDA)
http://www.usda.gov
Government agency charged with providing key statistics on the US agricultural industry.

US Department of Commerce
http://www.commerce.gov
Cabinet-level department providing key statistics on the US industry; its mission is to ensure and enhance economic opportunity by working with businesses and communities to promote economic growth.

MARKET RESEARCH AND OTHER INFORMATION

Beverage Marketing Corporation
http://www.beveragemarketing.com
Provider of consulting, financial services, and data to the global beverage industry.

Datamonitor plc
http://www.datamonitor.com
A provider of news, data, and analysis related to various industries, including food and beverages.

Euromonitor International
http://www.euromonitor.com
A provider of data and analysis of industries, countries, and consumers.

The Food Institute
http://www.foodinstitute.com
Membership association providing news and information on the food and beverage industries.

FoodProductionDaily.com
http://www.foodproductiondaily.com
Online news service available as a free website; provides daily and weekly newsletters, with news stories and data intended to be of value to decision-makers in food and beverage production in Europe.

Information Resources Inc. (IRI)
http://www.iriworldwide.com
Supplier of food industry sales data; also provides analytics, software, and professional services

The International Food Policy Research Institute (IFPRI)
http://www.ifpri.org
Organization seeking solutions for ending hunger and poverty, supported by the Consultative Group on International Agricultural Research, an alliance of various governments, private foundations, and international and regional organizations.

Packaged Facts
http://www.packagedfacts.com
A site that provides research on the food, beverage, consumer packaged goods, and demographic sectors.

COMPARATIVE COMPANY ANALYSIS

			Operating Revenues														
			Million $							CAGR (%)			Index Basis (2003 = 100)				
Ticker	Company	Yr. End	2013	2012	2011	2010	2009	2008	2003	10-Yr.	5-Yr.	1-Yr.	2013	2012	2011	2010	2009
PACKAGED FOODS & MEATS‡																	
BGS	§ B&G FOODS INC	DEC	725.0 A	633.8 A	543.9 A	513.3	501.0	486.9	328.4 A	8.2	8.3	14.4	221	193	166	156	153
CALM	§ CAL-MAINE FOODS INC	# MAY	1,440.9 C	1,288.1 A	1,113.1	942.0	910.1	928.8 A	572.3	9.7	9.2	11.9	252	225	194	165	159
CVGW	§ CALAVO GROWERS INC	OCT	691.5	551.1	522.5 A	398.4	344.8	361.5 A	246.8	10.9	13.9	25.5	280	223	212	161	140
CPB	[] CAMPBELL SOUP CO	JUL	8,052.0 A,C	7,707.0	7,719.0	7,676.0	7,586.0	7,998.0 D	6,678.0	1.9	0.1	4.5	121	115	116	115	114
CAG	[] CONAGRA FOODS INC	# MAY	17,702.6 D	15,491.4 A	13,262.6 A	12,303.1 D	12,079.4 D	12,731.2 D	14,522.1 D	2.0	6.8	14.3	122	107	91	85	83
DF	† DEAN FOODS CO	DEC	9,016.3 D	11,462.3 D	13,055.5	12,122.9 D	11,158.4	12,454.6	9,184.6 A	(0.2)	(6.3)	(21.3)	98	125	142	132	121
DMND	§ DIAMOND FOODS INC	JUL	864.0	981.4	966.7	680.2 A	570.9 A	531.5	308.5	10.8	10.2	(12.0)	280	318	313	221	185
FLO	† FLOWERS FOODS INC	DEC	3,751.0 A	3,046.5 A	2,773.4 A	2,573.8	2,600.8 A	2,414.9 A	1,453.0 D	9.9	9.2	23.1	258	210	191	177	179
GIS	[] GENERAL MILLS INC	# MAY	17,909.6	17,774.1	16,657.9	14,880.2	14,796.5	14,691.3	11,070.0	4.9	4.0	0.8	162	161	150	134	134
HRL	[] HORMEL FOODS CORP	OCT	8,751.7	8,230.7	7,895.1	7,220.7	6,533.7	6,754.9	4,200.3	7.6	5.3	6.3	208	196	188	172	156
JJSF	§ J & J SNACK FOODS CORP	SEP	867.7	830.8 A	744.1 A	696.7	653.0	629.4	364.6	9.1	6.6	4.4	238	228	204	191	179
K	[] KELLOGG CO	DEC	14,797.0	14,197.0 A	13,198.0	12,397.0	12,575.0	12,822.0	8,811.5	5.3	2.9	4.2	168	161	150	141	143
GMCR	[] KEURIG GREEN MOUNTAIN INC	SEP	4,358.1	3,859.2	2,650.9 A	1,356.8 A	803.0 A	500.3	116.7	43.6	54.2	12.9	3,734	3,306	2,271	1,162	688
KRFT	[] KRAFT FOODS GROUP INC	DEC	18,218.0	18,380.0	18,710.0	17,840.0 D	NA	NA	NA	NA	NA	(0.9)	**	**	**	**	NA
LANC	† LANCASTER COLONY CORP	JUN	1,165.9	1,131.4	1,089.9	1,056.6	1,051.5	980.9 D	1,106.8	0.5	3.5	3.1	105	102	98	95	95
MKC	[] MCCORMICK & CO INC	NOV	4,123.4	4,014.2	3,697.6 A	3,336.8	3,192.1	3,176.6 A	2,269.6 A,C	6.2	5.4	2.7	182	177	163	147	141
MJN	[] MEAD JOHNSON NUTRITION CO	DEC	4,200.7	3,901.3	3,677.0	3,141.6	2,826.5	2,882.4	NA	NA	7.8	7.7	**	**	**	**	NA
MDLZ	[] MONDELEZ INTERNATIONAL INC	DEC	35,299.0	35,015.0 D	54,366.0	49,207.0 A,C	40,386.0	42,201.0 D	31,010.0	1.3	(3.5)	0.8	114	113	175	159	130
POST	† POST HOLDINGS INC	SEP	1,034.1 A	958.9	968.2	996.7	NA	NA	NA	NA	NA	7.8	**	**	**	**	NA
SAFM	§ SANDERSON FARMS INC	OCT	2,683.0	2,386.1	1,978.1	1,925.4	1,789.5	1,723.6	872.2	11.9	9.3	12.4	308	274	227	221	205
SENEA	§ SENECA FOODS CORP	# MAR	1,340.2	1,276.3 A	1,261.8	1,194.6 A	1,280.1	1,280.7	887.8 A	4.2	0.9	5.0	151	144	142	135	144
LNCE	§ SNYDERS-LANCE INC	DEC	1,761.0	1,618.6 A	1,635.0	981.8 A	918.2 A	852.5	562.5	12.1	15.6	8.8	313	288	291	175	163
HAIN	† HAIN CELESTIAL GROUP INC	JUN	1,734.7 A,C	1,378.2 A,C	1,130.3	917.3 A	1,135.3	1,056.4 A	466.5 A	14.0	10.4	25.9	372	295	242	197	243
HSY	[] HERSHEY CO	DEC	7,146.1	6,644.3	6,080.8	5,671.0	5,298.7	5,132.8	4,172.6	5.5	6.8	7.6	171	159	146	136	127
SJM	[] SMUCKER (JM) CO	# APR	5,610.6	5,897.7	5,525.8 A	4,825.7	4,605.3	3,757.9 A	1,417.0	14.8	8.3	(4.9)	396	416	390	341	325
WWAV	† WHITEWAVE FOODS CO	DEC	2,542.1	2,325.5	2,068.4 D	NA	NA	NA	NA	NA	NA	9.3	**	**	**	**	NA
TR	† TOOTSIE ROLL INDUSTRIES INC	DEC	543.4	549.9	532.5	521.4	499.3	496.0	392.7	3.3	1.8	(1.2)	138	140	136	133	127
THS	§ TREEHOUSE FOODS INC	DEC	2,293.9 A	2,182.1 A	2,050.0	1,817.0 A	1,511.7	1,500.7	NA	NA	8.9	5.1	**	**	**	**	NA
TSN	[] TYSON FOODS INC -CL A	SEP	34,374.0 A,C	33,278.0	32,266.0	28,430.0	26,704.0	26,862.0 D	24,549.0	3.4	5.1	3.3	140	136	131	116	109
SOFT DRINKS‡																	
KO	[] COCA-COLA CO	DEC	46,854.0	48,017.0	46,565.0 A	35,119.0 C	30,990.0	31,944.0	21,044.0	8.3	8.0	(2.4)	223	228	221	167	147
CCE	[] COCA-COLA ENTERPRISES INC	DEC	8,212.0	8,062.0	8,284.0	6,714.0 A	21,645.0	21,807.0	17,330.0 A	(7.2)	(17.7)	1.9	47	47	48	39	125
DPS	[] DR PEPPER SNAPPLE GROUP INC	DEC	5,997.0	5,995.0	5,903.0	5,636.0	5,531.0	5,710.0	NA	NA	1.0	0.0	**	**	**	**	NA
MNST	[] MONSTER BEVERAGE CORP	DEC	2,246.4	2,060.7	1,703.2	1,303.9	1,143.3	1,033.8	110.4	35.2	16.8	9.0	2,036	1,867	1,543	1,182	1,036
PEP	[] PEPSICO INC	DEC	66,415.0	65,492.0	66,504.0	57,838.0	43,232.0	43,251.0	26,971.0	9.4	9.0	1.4	246	243	247	214	160
AGRICULTURAL PRODUCTS‡																	
ADM	[] ARCHER-DANIELS-MIDLAND CO	DEC	89,804.0 A	89,038.0	80,676.0	61,682.0	69,198.0 A	69,816.0 A	30,708.0 C	11.3	5.2	0.9	292	290	263	201	225
DAR	§ DARLING INGREDIENTS INC	DEC	1,723.6 A	1,701.4	1,797.2	724.9 A	597.8	807.5	324.4	18.2	16.4	1.3	531	524	554	223	184
INGR	† INGREDION INC	DEC	6,653.0	6,868.0	6,544.0	4,632.0 A	3,890.0	4,197.0	2,269.0	11.4	9.7	(3.1)	293	303	288	204	171

Operating Revenues

Ticker	Company	Yr. End	Million $ 2013	2012	2011	2010	2009	2008	2003	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2003 = 100) 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	3,057.5	3,078.3 D	3,139.3	3,227.4 C	3,470.4	3,609.4 D	2,613.5 A,C	1.6	(3.3)	(0.7)	117	118	120	123	133
DOLE	DOLE FOOD CO INC	DEC	NA	4,246.7 A,C	7,223.8 A	6,892.6	6,778.5 D	7,620.0 D	4,773.1 A	NA	NA	NA	NA	89	151	144	142
FDP	FRESH DEL MONTE PRODUCE INC	DEC	3,683.7 A	3,421.2	3,589.7	3,552.9	3,496.4	3,531.0 A	2,486.8 A	4.0	0.9	7.7	148	138	144	143	141
PPC	PILGRIM'S PRIDE CORP	DEC	8,411.1	8,121.4	7,535.7	6,881.6	7,088.1	8,525.1 D	2,619.3	12.4	(0.3)	3.6	321	310	288	263	271
PF	PINNACLE FOODS INC	DEC	2,461.5 A	2,478.5	2,469.6	2,436.7	1,642.9 A	1,556.4	NA	NA	9.6	(0.7)	**	**	**	**	NA
UN	UNILEVER NV -ADR	DEC	38,844.5	38,304.5	34,119.4 A	31,287.0	31,411.4	30,772.1	36,485.9	0.6	4.8	1.4	106	105	94	86	86
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	1,641.3	1,614.4	1,561.2	1,514.6	1,443.0	1,463.6	1,210.8	3.1	2.3	1.7	136	133	129	125	119
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	11,911.1 A	11,396.5 A,C	8,939.5 A	8,355.0	7,870.3	5,998.8 A	3,180.2 A	14.1	14.7	4.5	375	358	281	263	247
COT	COTT CORP QUE	DEC	2,094.0 A	2,250.6 A	2,334.6	1,803.3 A	1,596.7	1,648.1	1,417.8 A	4.0	4.9	(7.0)	148	159	165	127	113
FIZZ	NATIONAL BEVERAGE CORP	# APR	641.1	662.0	628.9	600.2	593.5	575.2	512.1	2.3	2.2	(3.2)	125	129	123	117	116
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	61,347.0 A,C	60,991.0 A,C	58,743.0	45,707.0	41,926.0	52,574.0	22,165.0 D	10.7	3.1	0.6	277	275	265	206	189

Note: Data as originally reported. CAGR-Compound annual growth rate. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year. **Not calculated; data for base year or end year not available. A - This year's data reflect an acquisition or merger. B - This year's data reflect a major merger resulting in the formation of a new company. C - This year's data reflect an accounting change. D - Data exclude discontinued operations. E - Includes excise taxes. F - Includes other (nonoperating) income. G - Includes sale of leased depts. H - Some or all data are not available, due to a fiscal year change.

Net Income

Ticker	Company	Yr. End	Million $ 2013	2012	2011	2010	2009	2008	2003	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2003 = 100) 2013	2012	2011	2010	2009
PACKAGED FOODS & MEATS‡																	
BGS	§ B&G FOODS INC	DEC	52.3	59.3	50.2	32.4	17.4	9.7	15.2	13.2	40.0	(11.7)	345	391	331	213	115
CALM	§ CAL-MAINE FOODS INC	# MAY	109.2	50.4	89.7	60.8	67.8	79.5	66.4	5.1	6.6	116.6	164	76	135	92	102
CVGW	§ CALAVO GROWERS INC	OCT	17.3	17.1	11.1	17.8	13.6	7.7	7.2	9.3	17.6	1.7	242	238	155	248	190
CPB	[] CAMPBELL SOUP CO	JUL	689.0	774.0	805.0	844.0	732.0	671.0	626.0	1.0	0.5	(11.0)	110	124	129	135	117
CAG	[] CONAGRA FOODS INC	# MAY	299.0	773.9	467.8	828.5	747.3	646.4	725.1	(8.5)	(14.3)	(61.4)	41	107	65	114	103
DF	† DEAN FOODS CO	DEC	325.4	115.0	(1,579.2)	86.5	240.2	184.8	355.7	(0.9)	12.0	182.9	91	32	(444)	24	68
DMND	§ DIAMOND FOODS INC	JUL	(163.2)	(86.3)	26.6	26.2	23.7	14.8	154.7	NM	NM	NM	(106)	(56)	17	17	15
FLO	† FLOWERS FOODS INC	DEC	230.9	136.1	123.4	137.0	130.3	119.2	52.8	15.9	14.1	69.6	437	258	234	260	247
GIS	[] GENERAL MILLS INC	# MAY	1,824.4	1,855.2	1,567.3	1,798.3	1,530.5	1,304.4	1,055.0	5.6	6.9	(1.7)	173	176	149	170	145
HRL	[] HORMEL FOODS CORP	OCT	526.2	500.0	474.2	395.6	342.8	285.5	185.8	11.0	13.0	5.2	283	269	255	213	185
JJSF	§ J & J SNACK FOODS CORP	SEP	64.4	54.1	55.1	48.4	41.3	27.9	19.9	12.5	18.2	19.0	323	272	277	243	208
K	[] KELLOGG CO	DEC	1,807.0	961.0	1,231.0	1,247.0	1,212.0	1,148.0	787.1	8.7	9.5	88.0	230	122	156	158	154
GMCR	[] KEURIG GREEN MOUNTAIN INC	SEP	483.2	362.6	199.5	79.5	55.9	22.3	6.3	NM	85.0	33.3	NM	NM	3,184	1,269	892
KRFT	[] KRAFT FOODS GROUP INC	DEC	2,715.0	1,642.0	1,839.0	1,887.0	NA	NA	NA	NA	NA	65.3	**	**	**	**	NA
LANC	† LANCASTER COLONY CORP	JUN	109.2	95.8	106.4	115.0	89.1	48.4	112.5	(0.3)	17.7	14.0	97	85	95	102	79
MKC	[] MCCORMICK & CO INC	NOV	389.0	407.8	374.2	370.2	299.8	255.8	199.2	6.9	8.7	(4.6)	195	205	188	186	151
MJN	[] MEAD JOHNSON NUTRITION CO	DEC	649.5	604.5	508.5	452.7	399.6	393.9	NA	NA	10.5	7.4	**	**	**	**	NA
MDLZ	[] MONDELEZ INTERNATIONAL INC	DEC	2,312.0	1,540.0	3,527.0	2,470.0	3,021.0	1,849.0	3,476.0	(4.0)	4.6	50.1	67	44	101	71	87
POST	† POST HOLDINGS INC	SEP	15.2	49.9	(361.3)	92.0	NA	NA	NA	NA	NA	(69.5)	**	**	**	**	NA
SAFM	§ SANDERSON FARMS INC	OCT	130.6	53.9	(127.1)	134.8	82.3	(43.1)	54.1	9.2	NM	142.1	242	100	(235)	249	152
SENEA	§ SENECA FOODS CORP	# MAR	13.8	41.4	11.3	17.7	48.4	18.8	12.9	0.6	(6.0)	(66.7)	106	320	87	137	374
LNCE	§ SNYDERS-LANCE INC	DEC	78.7	59.1	38.3	2.5	35.8	17.7	18.3	15.7	34.8	33.2	431	323	209	14	196
HAIN	† HAIN CELESTIAL GROUP INC	JUN	119.8	94.2	55.0	28.6	(24.7)	41.2	27.5	15.9	23.8	27.1	436	343	200	104	(90)
HSY	[] HERSHEY CO	DEC	820.5	660.9	629.0	509.8	436.0	311.4	465.0	5.8	21.4	24.1	176	142	135	110	94
SJM	[] SMUCKER (JM) CO	# APR	565.2	544.2	459.7	479.5	494.1	266.0	111.3	17.6	16.3	3.9	508	489	413	431	444
WWAV	† WHITEWAVE FOODS CO	DEC	99.0	111.2	130.9	NA	NA	NA	NA	NA	NA	(11.0)	**	**	**	**	NA
TR	† TOOTSIE ROLL INDUSTRIES INC	DEC	60.8	52.0	43.9	53.7	53.5	38.8	65.0	(0.7)	9.4	17.0	94	80	68	83	82
THS	§ TREEHOUSE FOODS INC	DEC	87.0	88.4	94.4	90.9	81.3	28.6	NA	NA	25.0	(1.6)	**	**	**	**	NA
TSN	[] TYSON FOODS INC -CL A	SEP	848.0	583.0	750.0	780.0	(536.0)	86.0	337.0	9.7	58.0	45.5	252	173	223	231	(159)
SOFT DRINKS‡																	
KO	[] COCA-COLA CO	DEC	8,584.0	9,019.0	8,572.0	11,809.0	6,824.0	5,807.0	4,347.0	7.0	8.1	(4.8)	197	207	197	272	157
CCE	[] COCA-COLA ENTERPRISES INC	DEC	667.0	677.0	749.0	624.0	731.0	(4,394.0)	676.0	(0.1)	NM	(1.5)	99	100	111	92	108
DPS	[] DR PEPPER SNAPPLE GROUP INC	DEC	624.0	629.0	606.0	528.0	555.0	(312.0)	NA	NA	NM	(0.8)	**	**	**	**	NA
MNST	[] MONSTER BEVERAGE CORP	DEC	338.7	340.0	286.2	212.0	208.7	108.0	5.9	49.9	25.7	(0.4)	NM	NM	4,827	3,576	3,520
PEP	[] PEPSICO INC	DEC	6,740.0	6,178.0	6,443.0	6,320.0	5,946.0	5,142.0	3,568.0	6.6	5.6	9.1	189	173	181	177	167
AGRICULTURAL PRODUCTS‡																	
ADM	[] ARCHER-DANIELS-MIDLAND CO	DEC	1,342.0	1,223.0	2,036.0	1,930.0	1,707.0	1,802.0	451.1	11.5	(5.7)	9.7	297	271	451	428	378
DAR	§ DARLING INGREDIENTS INC	DEC	109.0	130.8	169.4	44.2	41.8	54.6	18.2	19.6	14.8	(16.7)	599	719	931	243	230
INGR	† INGREDION INC	DEC	396.0	428.0	416.0	169.0	41.0	267.0	76.0	17.9	8.2	(7.5)	521	563	547	222	54

Net Income

Ticker	Company	Yr. End	Million $ 2013	2012	2011	2010	2009	2008	2003	CAGR (%) 10-Yr.	5-Yr.	1-Yr.	Index Basis (2003 = 100) 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	(15.8)	(403.0)	56.8	60.6	91.2	(325.2)	95.9	NM	NM	NM	(16)	(420)	59	63	95
DOLE	DOLE FOOD CO INC	DEC	NA	(0.1)	38.2	(37.7)	81.1	145.1	83.9	NA	NA	NA	**	(0)	46	(45)	97
FDP	FRESH DEL MONTE PRODUCE INC	DEC	(34.4)	143.2	92.5	62.2	143.9	157.7	226.4	NM	NM	NM	(15)	63	41	27	64
PPC	PILGRIM'S PRIDE CORP	DEC	549.6	174.2	(496.8)	87.1	(152.2)	(992.2)	56.0	25.6	NM	215.4	981	311	(887)	156	(272)
PF	PINNACLE FOODS INC	DEC	89.3	52.5	(46.9)	22.0	302.6	(28.6)	NA	NA	NM	70.1	**	**	**	**	NA
UN	UNILEVER NV -ADR	DEC	3,777.0	3,343.5	3,122.1	3,446.0	2,969.6	4,083.8	2,489.2	4.3	(1.5)	13.0	152	134	125	138	119
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	27.7	27.2	28.6	36.1	38.1	9.1	30.7	(1.0)	24.9	1.7	90	89	93	117	124
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	881.3	1,028.5	760.9	791.4	652.7	404.7	205.8	15.7	16.8	(14.3)	428	500	370	385	317
COT	COTT CORP QUE	DEC	17.0	47.8	37.6	54.7	81.5	(122.8)	77.4	(14.1)	NM	(64.4)	22	62	49	71	105
FIZZ	NATIONAL BEVERAGE CORP	# APR	43.6	46.9	44.0	40.8	32.9	24.7	18.7	8.8	12.0	(7.0)	233	251	235	218	176
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	209.0	406.0	942.0	2,354.0	361.0	1,064.0	418.0	(6.7)	(27.8)	(48.5)	50	97	225	563	86

Note: Data as originally reported. CAGR-Compound annual growth rate. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600.
#Of the following calendar year. **Not calculated; data for base year or end year not available.

Ticker	Company	Yr. End	Return on Revenues (%) 2013	2012	2011	2010	2009	Return on Assets (%) 2013	2012	2011	2010	2009	Return on Equity (%) 2013	2012	2011	2010	2009
PACKAGED FOODS & MEATS‡																	
BGS	§ B&G FOODS INC	DEC	7.2	9.3	9.2	6.3	3.5	3.9	5.1	5.0	3.8	2.1	14.2	19.9	21.6	14.2	9.4
CALM	§ CAL-MAINE FOODS INC	# MAY	7.6	3.9	8.1	6.5	7.5	14.0	6.9	13.1	9.6	11.2	19.6	10.1	20.0	15.3	19.1
CVGW	§ CALAVO GROWERS INC	OCT	2.5	3.1	2.1	4.5	3.9	7.7	8.7	6.6	13.0	10.6	14.5	16.6	12.0	22.5	20.2
CPB	[] CAMPBELL SOUP CO	JUL	8.6	10.0	10.4	11.0	9.6	9.3	11.6	12.3	13.7	11.7	65.2	77.9	79.9	102.1	71.6
CAG	[] CONAGRA FOODS INC	# MAY	1.7	5.0	3.5	6.7	6.2	1.5	4.9	4.1	7.2	6.6	5.7	16.0	10.2	17.2	15.5
DF	† DEAN FOODS CO	DEC	3.6	1.0	NM	0.7	2.2	7.7	2.0	NM	1.1	3.2	60.7	90.6	NM	6.1	25.2
DMND	§ DIAMOND FOODS INC	JUL	NM	NM	2.7	3.9	4.2	NM	NM	2.1	3.2	7.1	NM	NM	6.6	9.5	14.9
FLO	† FLOWERS FOODS INC	DEC	6.2	4.5	4.5	5.3	5.0	10.3	7.7	8.6	10.2	9.6	23.9	16.8	15.9	18.1	19.3
GIS	[] GENERAL MILLS INC	# MAY	10.2	10.4	9.4	12.1	10.3	8.0	8.5	7.9	9.9	8.6	27.6	28.3	24.5	30.6	28.9
HRL	[] HORMEL FOODS CORP	OCT	6.0	6.1	6.0	5.5	5.2	11.1	11.4	11.4	10.2	9.4	17.2	18.3	18.8	17.5	16.6
JJSF	§ J & J SNACK FOODS CORP	SEP	7.4	6.5	7.4	6.9	6.3	10.3	9.4	10.6	10.5	9.7	13.0	11.9	13.5	13.4	12.5
K	[] KELLOGG CO	DEC	12.2	6.8	9.3	10.1	9.6	11.8	7.1	10.4	10.8	10.9	60.6	46.0	62.8	56.3	65.2
GMCR	[] KEURIG GREEN MOUNTAIN INC	SEP	11.1	9.4	7.5	5.9	7.0	13.1	10.6	8.7	7.3	9.5	19.7	17.4	15.3	12.3	15.3
KRFT	[] KRAFT FOODS GROUP INC	DEC	14.9	8.9	9.8	10.6	NA	11.7	7.3	8.5	NA	NA	62.0	16.3	10.9	NA	NA
LANC	† LANCASTER COLONY CORP	JUN	9.4	8.5	9.8	10.9	8.5	16.8	14.7	17.6	21.2	17.5	20.5	17.7	21.2	25.9	23.4
MKC	[] MCCORMICK & CO INC	NOV	9.4	10.2	10.1	11.1	9.4	9.0	9.9	10.0	10.9	9.1	21.5	24.8	24.5	26.6	25.1
MJN	[] MEAD JOHNSON NUTRITION CO	DEC	15.5	15.5	13.8	14.4	14.1	19.3	20.1	20.1	20.7	23.3	418.4	NA	NA	NA	NA
MDLZ	[] MONDELEZ INTERNATIONAL INC	DEC	6.5	4.4	6.5	5.0	7.5	3.1	1.8	3.7	3.0	4.7	7.2	4.6	9.9	8.0	12.6
POST	† POST HOLDINGS INC	SEP	1.5	5.2	NM	9.2	NA	0.3	1.8	NM	NA	NA	0.7	3.7	NM	NA	NA
SAFM	§ SANDERSON FARMS INC	OCT	4.9	2.3	NM	7.0	4.6	14.3	5.8	NM	18.2	12.5	21.4	10.2	NM	25.0	21.0
SENEA	§ SENECA FOODS CORP	# MAR	1.0	3.2	0.9	1.5	3.8	1.8	5.4	1.5	2.4	6.9	3.7	11.7	3.2	5.4	18.7
LNCE	§ SNYDERS-LANCE INC	DEC	4.5	3.7	2.3	0.3	3.9	4.5	3.7	2.6	0.3	7.1	8.8	6.9	4.6	0.5	14.0
HAIN	† HAIN CELESTIAL GROUP INC	JUN	6.9	6.8	4.9	3.1	NM	6.1	6.3	4.3	2.5	NM	11.1	10.3	6.7	3.9	NM
HSY	[] HERSHEY CO	DEC	11.5	9.9	10.3	9.0	8.2	16.2	14.4	14.5	12.8	11.9	62.1	70.1	71.8	62.8	84.0
SJM	[] SMUCKER (JM) CO	# APR	10.1	9.2	8.3	9.9	10.7	6.2	6.0	5.3	5.9	6.1	11.1	10.6	8.8	9.0	9.6
WWAV	† WHITEWAVE FOODS CO	DEC	3.9	4.8	6.3	NA	NA	4.5	5.2	NA	NA	NA	11.3	11.6	NA	NA	NA
TR	† TOOTSIE ROLL INDUSTRIES INC	DEC	11.2	9.5	8.3	10.3	10.7	7.0	6.1	5.1	6.3	6.5	9.1	7.9	6.6	8.1	8.3
THS	§ TREEHOUSE FOODS INC	DEC	3.8	4.0	4.6	5.0	5.4	3.3	3.6	3.9	4.8	5.9	7.1	7.8	9.2	10.5	11.8
TSN	[] TYSON FOODS INC -CL A	SEP	2.5	1.8	2.3	2.7	NM	7.0	5.1	6.9	7.3	NM	13.9	10.0	13.9	16.4	NM
SOFT DRINKS‡																	
KO	[] COCA-COLA CO	DEC	18.3	18.8	18.4	33.6	22.0	9.7	10.9	11.2	19.4	15.3	26.0	28.0	27.4	42.3	30.1
CCE	[] COCA-COLA ENTERPRISES INC	DEC	8.1	8.4	9.0	9.3	3.4	7.0	7.3	8.5	5.0	4.6	26.8	24.2	24.8	31.2	176.6
DPS	[] DR PEPPER SNAPPLE GROUP INC	DEC	10.4	10.5	10.3	9.4	10.0	7.3	6.9	6.7	6.0	6.4	27.4	27.7	25.7	18.7	19.2
MNST	[] MONSTER BEVERAGE CORP	DEC	15.1	16.5	16.8	16.3	18.3	27.5	28.3	23.4	22.5	26.7	41.4	41.9	31.7	30.0	40.9
PEP	[] PEPSICO INC	DEC	10.1	9.4	9.7	10.9	13.8	8.9	8.4	9.1	11.7	15.7	28.8	28.6	30.7	33.1	40.8
AGRICULTURAL PRODUCTS‡																	
ADM	[] ARCHER-DANIELS-MIDLAND CO	DEC	1.5	1.4	2.5	3.1	2.5	3.1	2.9	5.5	6.1	5.0	7.0	6.7	12.2	13.7	12.6
DAR	§ DARLING INGREDIENTS INC	DEC	6.3	7.7	9.4	6.1	7.0	4.5	8.8	12.1	4.9	10.2	7.1	13.2	24.5	11.8	16.0
INGR	† INGREDION INC	DEC	6.0	6.2	6.4	3.6	1.1	7.2	7.8	8.0	4.2	1.3	16.4	18.9	20.4	9.2	2.7

Ticker	Company	Yr. End	Return on Revenues (%) 2013	2012	2011	2010	2009	Return on Assets (%) 2013	2012	2011	2010	2009	Return on Equity (%) 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	NM	NM	1.8	1.9	2.6	NM	NM	2.8	2.9	4.5	NM	NM	7.4	8.7	16.5
DOLE	DOLE FOOD CO INC	DEC	NA	NM	0.5	NM	1.2	NA	NM	0.9	NM	1.9	NA	NM	4.8	NM	13.1
FDP	FRESH DEL MONTE PRODUCE INC	DEC	NM	4.2	2.6	1.8	4.1	NM	5.7	3.7	2.4	5.5	NM	8.2	5.6	3.8	9.1
PPC	PILGRIM'S PRIDE CORP	DEC	6.5	2.1	NM	1.3	NM	18.1	6.0	NM	2.8	NM	45.9	23.8	NM	14.2	NM
PF	PINNACLE FOODS INC	DEC	3.6	2.1	NM	0.9	18.4	1.9	1.2	NM	0.5	8.4	7.2	6.1	NM	2.5	51.2
UN	UNILEVER NV -ADR	DEC	9.7	8.7	9.2	11.0	9.5	10.8	9.6	9.3	10.6	9.2	33.6	30.7	19.4	17.0	17.3
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	1.7	1.7	1.8	2.4	2.6	2.2	2.1	2.1	2.8	2.9	16.9	20.4	22.1	29.5	39.6
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	7.4	9.0	8.5	9.5	8.3	6.0	8.7	7.6	8.9	8.4	10.7	13.9	11.9	14.6	14.3
COT	COTT CORP QUE	DEC	0.8	2.1	1.6	3.0	5.1	1.1	3.1	2.5	4.6	9.3	2.8	8.2	7.0	12.0	26.5
FIZZ	NATIONAL BEVERAGE CORP	# APR	6.8	7.1	7.0	6.8	5.5	19.9	21.7	21.7	19.3	13.0	48.9	48.9	43.6	36.8	21.1
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	0.3	0.7	1.6	5.2	0.9	0.6	1.5	3.7	9.7	1.4	1.8	3.5	8.1	23.5	4.1

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

				Current Ratio					Debt / Capital Ratio (%)					Debt as a % of Net Working Capital				
Ticker		Company	Yr. End	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
PACKAGED FOODS & MEATS‡																		
BGS	§	B&G FOODS INC	DEC	1.7	1.6	2.1	3.5	3.4	61.7	55.3	67.5	59.3	58.7	NM	998.6	906.6	310.5	375.8
CALM	§	CAL-MAINE FOODS INC	# MAY	3.7	3.2	3.1	3.3	2.9	7.4	8.9	11.1	14.4	20.5	15.7	19.2	21.5	30.9	47.6
CVGW	§	CALAVO GROWERS INC	OCT	1.1	1.1	1.1	1.3	1.3	5.5	9.7	14.9	5.9	16.1	63.1	135.0	211.1	41.1	110.8
CPB	[]	CAMPBELL SOUP CO	JUL	0.7	0.9	1.0	0.8	1.0	59.9	62.6	62.5	62.2	69.9	NM	NM	NM	NM	NM
CAG	[]	CONAGRA FOODS INC	# MAY	1.6	1.3	1.4	1.8	1.9	56.7	56.6	35.9	34.7	37.4	552.0	908.2	287.7	161.8	167.7
DF	†	DEAN FOODS CO	DEC	1.5	1.6	1.1	1.3	1.1	52.4	81.9	95.0	63.3	66.8	242.6	357.1	NM	NM	NM
DMND	§	DIAMOND FOODS INC	JUL	0.8	1.3	1.2	1.4	1.5	68.1	57.0	47.0	49.6	36.4	NM	973.6	934.3	715.1	194.6
FLO	†	FLOWERS FOODS INC	DEC	1.5	1.3	1.4	1.3	1.5	42.9	37.3	26.3	10.3	22.5	559.1	488.6	257.3	139.4	192.8
GIS	[]	GENERAL MILLS INC	# MAY	0.8	0.8	1.0	1.1	0.9	41.2	39.6	42.2	42.5	45.6	NM	NM	NM	NM	NM
HRL	[]	HORMEL FOODS CORP	OCT	2.6	3.0	2.6	1.7	2.3	7.0	8.1	8.6	0.0	14.2	19.8	16.3	20.5	0.0	39.3
JJSF	§	J & J SNACK FOODS CORP	SEP	3.2	3.8	3.4	3.1	3.1	0.0	0.1	0.1	0.2	0.1	0.1	0.2	0.3	0.4	0.2
K	[]	KELLOGG CO	DEC	0.9	0.7	0.9	0.9	1.1	58.6	67.4	67.8	63.2	64.2	NM	NM	NM	NM	NM
GMCR	[]	KEURIG GREEN MOUNTAIN INC	SEP	2.5	2.5	2.4	2.1	4.3	7.5	17.0	21.3	29.8	10.6	25.6	65.0	87.2	130.4	17.6
KRFT	[]	KRAFT FOODS GROUP INC	DEC	1.4	1.3	1.3	1.4	NA	63.0	72.1	0.1	0.2	NA	666.0	818.9	3.9	3.3	NA
LANC	†	LANCASTER COLONY CORP	JUN	4.2	5.4	4.4	4.1	3.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MKC	[]	MCCORMICK & CO INC	NOV	1.3	1.1	1.2	1.2	1.2	33.0	30.9	38.1	34.2	39.0	331.8	796.7	448.5	430.6	574.5
MJN	[]	MEAD JOHNSON NUTRITION CO	DEC	1.2	1.5	1.6	1.5	1.2	73.9	95.6	112.8	126.9	182.2	299.6	236.1	222.1	324.1	629.5
MDLZ	[]	MONDELEZ INTERNATIONAL INC	DEC	0.9	1.1	0.9	1.0	1.1	27.3	28.8	35.5	38.0	37.2	NM	NM	NM	NM	NM
POST	†	POST HOLDINGS INC	SEP	4.6	1.7	1.0	2.0	NA	43.9	37.6	28.1	22.5	NA	269.8	NM	NM	984.2	NA
SAFM	§	SANDERSON FARMS INC	OCT	2.7	2.9	3.9	3.2	3.1	3.9	19.8	32.9	8.5	18.5	10.9	57.3	84.4	26.1	63.4
SENEA	§	SENECA FOODS CORP	# MAR	4.4	3.7	4.6	2.1	4.0	35.4	38.5	39.0	20.1	38.1	47.8	51.5	53.4	30.6	51.4
LNCE	§	SNYDERS-LANCE INC	DEC	2.3	2.1	2.5	1.7	1.9	30.2	33.0	19.7	18.3	26.7	252.6	309.8	109.0	174.3	136.9
HAIN	†	HAIN CELESTIAL GROUP INC	JUN	2.1	2.2	2.2	2.3	2.6	33.2	26.7	20.0	21.9	26.2	217.1	158.7	114.6	128.6	121.5
HSY	[]	HERSHEY CO	DEC	1.8	1.4	1.7	1.5	1.5	51.2	58.8	67.3	63.1	67.6	166.3	238.3	200.3	218.3	316.5
SJM	[]	SMUCKER (JM) CO	# APR	1.7	2.7	2.7	3.4	2.6	23.7	24.3	24.7	17.1	12.3	290.0	197.1	196.8	113.0	120.8
WWAV	†	WHITEWAVE FOODS CO	DEC	1.2	1.2	1.6	NA	NA	35.1	43.3	24.7	NA	NA	927.6	NM	334.1	NA	NA
TR	†	TOOTSIE ROLL INDUSTRIES INC	DEC	4.0	3.2	3.6	4.1	3.8	1.0	1.1	1.0	1.0	1.1	4.2	5.5	4.9	4.2	4.8
THS	§	TREEHOUSE FOODS INC	DEC	2.7	3.1	2.7	2.2	2.5	38.5	39.2	41.4	45.4	33.4	229.4	223.8	304.1	411.2	181.8
TSN	[]	TYSON FOODS INC -CL A	SEP	1.9	1.9	2.0	1.8	2.2	22.1	22.6	25.8	27.8	41.3	73.1	74.5	87.8	103.0	139.9
SOFT DRINKS‡																		
KO	[]	COCA-COLA CO	DEC	1.1	1.1	1.0	1.2	1.3	32.8	28.1	27.3	28.5	16.1	548.4	587.8	NM	457.2	132.1
CCE	[]	COCA-COLA ENTERPRISES INC	DEC	1.2	1.1	1.5	1.1	1.1	52.4	42.6	42.3	32.7	79.1	998.9	NM	357.5	737.5	NM
DPS	[]	DR PEPPER SNAPPLE GROUP INC	DEC	1.1	1.1	0.9	1.0	1.5	45.3	46.7	44.2	32.3	41.2	NM	NM	NM	NM	696.5
MNST	[]	MONSTER BEVERAGE CORP	DEC	3.7	2.9	4.4	7.0	7.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PEP	[]	PEPSICO INC	DEC	1.2	1.1	1.0	1.1	1.4	44.6	46.3	44.6	44.2	29.8	557.6	NM	NM	NM	194.0
AGRICULTURAL PRODUCTS‡																		
ADM	[]	ARCHER-DANIELS-MIDLAND CO	DEC	1.8	1.8	2.1	2.1	2.2	19.8	25.8	29.6	31.2	36.2	41.5	53.0	57.9	71.4	74.1
DAR	§	DARLING INGREDIENTS INC	DEC	6.4	2.2	1.7	1.2	2.1	28.6	18.4	22.7	60.1	8.6	91.2	157.7	303.0	NM	36.7
INGR	†	INGREDION INC	DEC	2.7	2.5	2.3	2.0	1.8	39.7	39.9	43.9	43.0	18.4	123.2	120.8	153.1	195.0	85.0

Ticker	Company	Yr. End	Current Ratio 2013	2012	2011	2010	2009	Debt / Capital Ratio (%) 2013	2012	2011	2010	2009	Debt as a % of Net Working Capital 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	1.5	1.4	1.8	2.0	1.8	56.8	52.9	39.7	41.8	45.5	285.3	270.1	172.9	154.8	179.8
DOLE	DOLE FOOD CO INC	DEC	NA	1.9	1.7	1.6	1.8	NA	65.0	62.8	60.1	59.8	NA	119.5	224.8	225.0	199.9
FDP	FRESH DEL MONTE PRODUCE INC	DEC	2.7	2.6	2.4	2.4	2.5	12.2	6.2	10.8	14.7	15.4	39.3	21.9	40.8	56.5	59.0
PPC	PILGRIM'S PRIDE CORP	DEC	1.8	2.1	2.0	2.3	2.7	25.0	55.9	72.4	54.3	19.2	59.4	141.4	195.2	131.8	4.8
PF	PINNACLE FOODS INC	DEC	2.4	2.1	2.2	2.1	1.9	53.0	65.4	68.4	68.9	70.1	537.1	693.4	699.8	827.2	876.4
UN	UNILEVER NV -ADR	DEC	0.7	0.8	0.8	0.9	1.0	31.8	31.3	33.8	22.7	28.6	NM	NM	NM	NM	NM
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	1.1	1.1	1.0	1.5	1.4	55.9	62.9	63.3	68.0	68.5	NM	NM	NM	657.6	874.8
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	1.3	1.6	1.3	1.5	1.0	33.3	19.4	14.4	17.5	13.2	525.0	151.6	243.4	176.5	NM
COT	COTT CORP QUE	DEC	1.4	2.2	1.9	1.6	1.5	38.7	48.0	50.5	51.7	36.6	265.1	179.4	226.0	322.8	205.6
FIZZ	NATIONAL BEVERAGE CORP	# APR	2.2	2.1	1.9	1.4	2.3	20.0	37.1	0.0	0.0	0.0	38.2	74.1	0.0	0.0	0.0
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	1.4	1.5	1.9	1.6	1.9	24.0	24.3	22.0	17.2	27.2	60.7	61.9	54.2	43.9	64.9

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker	Company	Yr. End	P/E 2013	P/E 2012	P/E 2011	P/E 2010	P/E 2009	Payout 2013	Payout 2012	Payout 2011	Payout 2010	Payout 2009	Yield 2013	Yield 2012	Yield 2011	Yield 2010	Yield 2009
			Price / Earnings Ratio (High-Low)					**Dividend Payout Ratio (%)**					**Dividend Yield (High-Low, %)**				
PACKAGED FOODS & MEATS‡																	
BGS	§ B&G FOODS INC	DEC	38 - 28	27 - 17	23 - 13	20 - 7	23 - 8	124	92	82	100	155	4.5 - 3.3	5.2 - 3.3	6.5 - 3.5	13.6 - 4.9	19.4 - 6.6
CALM	§ CAL-MAINE FOODS INC	# MAY	14 - 9	23 - 16	10 - 7	15 - 10	12 - 6	22	61	22	41	28	2.6 - 1.7	3.7 - 2.7	3.1 - 2.2	4.0 - 2.7	4.7 - 2.3
CVGW	§ CALAVO GROWERS INC	OCT	28 - 20	26 - 19	36 - 24	20 - 12	23 - 11	56	48	73	41	37	2.8 - 2.0	2.5 - 1.8	3.0 - 2.0	3.3 - 2.0	3.3 - 1.6
CPB	[] CAMPBELL SOUP CO	JUL	22 - 16	15 - 13	15 - 12	15 - 13	17 - 12	53	48	47	44	48	3.3 - 2.4	3.7 - 3.1	3.9 - 3.2	3.3 - 2.9	4.1 - 2.8
CAG	[] CONAGRA FOODS INC	# MAY	53 - 42	17 - 13	24 - 20	14 - 11	14 - 8	141	53	84	46	47	3.4 - 2.7	4.2 - 3.2	4.3 - 3.6	4.2 - 3.4	5.6 - 3.3
DF	† DEAN FOODS CO	DEC	12 - 5	31 - 17	NM - NM	39 - 15	16 - 11	0	0	NM	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DMND	§ DIAMOND FOODS INC	JUL	NM - NM	NM - NM	79 - 22	40 - 24	25 - 12	NM	NM	15	13	12	0.0 - 0.0	0.7 - 0.2	0.7 - 0.2	0.5 - 0.3	1.0 - 0.5
FLO	† FLOWERS FOODS INC	DEC	23 - 14	24 - 18	25 - 18	18 - 15	19 - 14	40	63	64	52	48	2.8 - 1.7	3.4 - 2.6	3.7 - 2.5	3.4 - 2.8	3.3 - 2.6
GIS	[] GENERAL MILLS INC	# MAY	18 - 14	15 - 13	17 - 14	14 - 12	16 - 10	53	46	50	40	41	3.8 - 2.9	3.6 - 3.2	3.5 - 3.0	3.4 - 2.9	4.1 - 2.7
HRL	[] HORMEL FOODS CORP	OCT	23 - 16	17 - 14	17 - 14	18 - 13	16 - 11	34	32	29	28	30	2.2 - 1.5	2.2 - 1.9	2.1 - 1.7	2.2 - 1.6	2.6 - 1.9
JJSF	§ J & J SNACK FOODS CORP	SEP	26 - 18	23 - 16	19 - 14	19 - 14	20 - 14	19	18	16	16	17	1.0 - 0.7	1.1 - 0.8	1.1 - 0.8	1.2 - 0.9	1.3 - 0.9
K	[] KELLOGG CO	DEC	14 - 11	21 - 17	17 - 14	17 - 14	17 - 11	36	65	49	47	45	3.2 - 2.6	3.8 - 3.0	3.5 - 2.9	3.3 - 2.8	4.0 - 2.6
GMCR	[] KEURIG GREEN MOUNTAIN INC	SEP	28 - 12	30 - 7	85 - 24	65 - 36	56 - 15	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
KRFT	[] KRAFT FOODS GROUP INC	DEC	13 - 10	17 - 15	NA - NA	NA - NA	NA - NA	45	18	NA	NA	NA	4.5 - 3.5	1.2 - 1.0	NA - NA	NA - NA	NA - NA
LANC	† LANCASTER COLONY CORP	JUN	22 - 17	22 - 18	19 - 14	15 - 11	17 - 10	163	40	34	29	36	9.4 - 7.2	2.2 - 1.8	2.5 - 1.8	2.7 - 1.9	3.6 - 2.1
MKC	[] MCCORMICK & CO INC	NOV	26 - 21	22 - 16	18 - 15	17 - 13	16 - 12	46	40	40	37	42	2.2 - 1.8	2.5 - 1.9	2.6 - 2.2	2.9 - 2.2	3.4 - 2.6
MJN	[] MEAD JOHNSON NUTRITION CO	DEC	27 - 20	30 - 21	31 - 22	29 - 20	26 - 13	42	41	42	41	36	2.1 - 1.6	2.0 - 1.4	1.9 - 1.4	2.1 - 1.4	2.7 - 1.4
MDLZ	[] MONDELEZ INTERNATIONAL INC	DEC	27 - 20	49 - 28	19 - 15	23 - 19	15 - 10	42	115	58	81	57	2.1 - 1.5	4.1 - 2.4	3.8 - 3.1	4.3 - 3.6	5.6 - 3.9
POST	† POST HOLDINGS INC	SEP	NM - NM	25 - 16	NA - NA	NA - NA	NA - NA	0	NA	NA	NA	NA	0.0 - 0.0	NA - NA	NA - NA	NA - NA	NA - NA
SAFM	§ SANDERSON FARMS INC	OCT	13 - 8	24 - 15	NM - NM	10 - 6	12 - 7	13	29	NM	10	14	1.5 - 0.9	1.9 - 1.2	1.8 - 1.3	1.6 - 1.0	2.1 - 1.2
SENEA	§ SENECA FOODS CORP	# MAR	29 - 22	9 - 6	32 - 19	23 - 15	9 - 5	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
LNCE	§ SNYDERS-LANCE INC	DEC	29 - 21	31 - 25	43 - 30	NM - NM	25 - 16	57	74	112	NM	57	2.7 - 2.0	3.0 - 2.4	3.8 - 2.6	27.6 - 16.2	3.5 - 2.3
HAIN	† HAIN CELESTIAL GROUP INC	JUN	35 - 20	35 - 16	30 - 20	41 - 21	NM - NM	0	0	0	0	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
HSY	[] HERSHEY CO	DEC	28 - 20	25 - 20	22 - 17	23 - 16	22 - 16	49	53	50	57	62	2.5 - 1.8	2.6 - 2.1	3.0 - 2.2	3.6 - 2.5	3.9 - 2.8
SJM	[] SMUCKER (JM) CO	# APR	21 - 16	18 - 14	20 - 15	16 - 13	15 - 8	42	41	46	40	34	2.6 - 2.0	2.9 - 2.3	3.1 - 2.3	3.1 - 2.5	4.1 - 2.2
WWAV	† WHITEWAVE FOODS CO	DEC	41 - 26	30 - 22	NA - NA	NA - NA	NA - NA	0	0	NA	NA	NA	0.0 - 0.0	0.0 - 0.0	NA - NA	NA - NA	NA - NA
TR	† TOOTSIE ROLL INDUSTRIES INC	DEC	35 - 25	33 - 24	39 - 30	32 - 25	30 - 20	31	92	42	34	33	1.3 - 0.9	3.8 - 2.8	1.4 - 1.1	1.4 - 1.1	1.7 - 1.1
THS	§ TREEHOUSE FOODS INC	DEC	32 - 22	27 - 19	25 - 18	21 - 14	16 - 10	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
TSN	[] TYSON FOODS INC -CL A	SEP	14 - 8	13 - 9	11 - 8	10 - 6	NM - NM	12	10	8	8	NM	1.5 - 0.9	1.1 - 0.8	1.0 - 0.8	1.3 - 0.8	2.1 - 1.1
SOFT DRINKS‡																	
KO	[] COCA-COLA CO	DEC	22 - 19	20 - 17	19 - 16	13 - 10	20 - 13	58	51	50	34	56	3.1 - 2.6	3.1 - 2.5	3.1 - 2.6	3.6 - 2.7	4.4 - 2.8
CCE	[] COCA-COLA ENTERPRISES INC	DEC	18 - 13	14 - 11	13 - 10	17 - 10	14 - 7	32	28	22	565	20	2.5 - 1.8	2.5 - 2.0	2.2 - 1.7	55.1 - 32.7	3.1 - 1.4
DPS	[] DR PEPPER SNAPPLE GROUP INC	DEC	16 - 14	15 - 12	16 - 12	18 - 12	14 - 5	49	45	44	41	7	3.6 - 3.0	3.7 - 3.0	3.6 - 2.8	3.4 - 2.2	1.3 - 0.5
MNST	[] MONSTER BEVERAGE CORP	DEC	34 - 22	43 - 20	30 - 16	23 - 10	19 - 12	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PEP	[] PEPSICO INC	DEC	20 - 16	19 - 16	18 - 14	17 - 15	17 - 11	51	54	50	48	47	3.3 - 2.6	3.4 - 2.9	3.5 - 2.8	3.2 - 2.8	4.1 - 2.8
AGRICULTURAL PRODUCTS‡																	
ADM	[] ARCHER-DANIELS-MIDLAND CO	DEC	22 - 14	18 - 13	12 - 7	11 - 8	12 - 9	37	37	20	19	20	2.7 - 1.7	2.8 - 2.0	2.6 - 1.6	2.4 - 1.7	2.3 - 1.6
DAR	§ DARLING INGREDIENTS INC	DEC	26 - 18	17 - 12	13 - 8	26 - 13	17 - 6	0	0	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
INGR	† INGREDION INC	DEC	14 - 12	12 - 8	11 - 7	21 - 12	59 - 32	30	16	12	25	127	2.6 - 2.1	2.0 - 1.4	1.8 - 1.1	2.1 - 1.2	3.9 - 2.2

Ticker	Company	Yr. End	Price / Earnings Ratio (High-Low) 2013	2012	2011	2010	2009	Dividend Payout Ratio (%) 2013	2012	2011	2010	2009	Dividend Yield (High-Low, %) 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	NM - NM	NM - NM	14 - 6	14 - 8	10 - 2	NM	NM	0	0	0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
DOLE	DOLE FOOD CO INC	DEC	NA - NA	NM - NM	34 - 18	NM - NM	9 - 8	NA	NM	0	NM	0	NA - NA	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FDP	FRESH DEL MONTE PRODUCE INC	DEC	NM - NM	11 - 9	18 - 14	25 - 19	12 - 5	NM	16	19	5	0	2.0 - 1.6	1.8 - 1.5	1.4 - 1.0	0.3 - 0.2	0.0 - 0.0
PPC	PILGRIM'S PRIDE CORP	DEC	9 - 3	12 - 6	NM - NM	32 - 13	NM - NM	0	0	NM	0	NM	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
PF	PINNACLE FOODS INC	DEC	34 - 26	NA - NA	NA - NA	NA - NA	NA - NA	68	0	NM	NA	NA	2.6 - 2.0	NA - NA	NA - NA	NA - NA	NA - NA
UN	UNILEVER NV -ADR	DEC	20 - 17	20 - 16	19 - 16	17 - 13	19 - 10	63	63	68	56	63	3.8 - 3.2	4.0 - 3.2	4.3 - 3.5	4.3 - 3.4	6.4 - 3.3
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	25 - 19	24 - 19	25 - 16	16 - 12	14 - 9	33	34	32	25	24	1.7 - 1.4	1.8 - 1.4	2.0 - 1.3	2.2 - 1.6	2.6 - 1.7
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	42 - 26	29 - 18	25 - 17	20 - 13	19 - 7	54	38	50	26	15	2.1 - 1.3	2.1 - 1.3	2.9 - 2.0	2.0 - 1.3	2.1 - 0.8
COT	COTT CORP QUE	DEC	62 - 41	17 - 12	23 - 15	14 - 8	9 - 1	128	12	0	0	0	3.1 - 2.0	1.0 - 0.7	0.0 - 0.0	0.0 - 0.0	0.0 - 0.0
FIZZ	NATIONAL BEVERAGE CORP	# APR	23 - 14	18 - 13	19 - 13	18 - 12	20 - 10	0	252	0	261	190	0.0 - 0.0	19.2 - 14.4	0.0 - 0.0	21.4 - 14.9	18.8 - 9.3
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	93 - 72	29 - 22	12 - 9	5 - 3	33 - 17	125	41	15	5	36	1.7 - 1.4	1.9 - 1.4	1.8 - 1.3	1.9 - 1.2	2.1 - 1.1

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.

Ticker		Company	Yr. End	Earnings per Share ($)					Tangible Book Value per Share ($)					Share Price (High-Low, $)				
				2013	2012	2011	2010	2009	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
PACKAGED FOODS & MEATS‡																		
BGS	§	B&G FOODS INC	DEC	0.99	1.20	1.05	0.68	0.44	(14.69)	(10.35)	(13.87)	(7.46)	(7.70)	37.66 - 27.61	32.84 - 20.99	24.64 - 13.23	13.87 - 5.00	10.23 - 3.51
CALM	§	CAL-MAINE FOODS INC	# MAY	4.54	2.10	3.76	2.55	2.85	22.92	19.96	18.77	16.20	14.40	61.33 - 38.81	47.66 - 34.06	37.67 - 27.20	38.88 - 26.23	35.27 - 17.01
CVGW	§	CALAVO GROWERS INC	OCT	1.17	1.15	0.75	1.22	0.94	6.55	5.56	4.51	5.53	4.40	32.56 - 23.36	30.24 - 21.63	27.17 - 18.24	24.67 - 15.09	22.08 - 10.50
CPB	[]	CAMPBELL SOUP CO	JUL	2.19	2.43	2.44	2.44	2.08	(6.73)	(5.16)	(4.91)	(4.47)	(4.94)	48.83 - 34.84	37.16 - 31.22	35.66 - 29.69	37.59 - 32.18	35.80 - 24.63
CAG	[]	CONAGRA FOODS INC	# MAY	0.71	1.88	1.13	1.92	1.68	(13.71)	(15.75)	(1.88)	0.38	1.12	37.28 - 29.75	31.12 - 23.64	26.68 - 22.20	26.32 - 21.02	23.67 - 14.00
DF	†	DEAN FOODS CO	DEC	3.47	1.24	(17.22)	0.96	2.82	4.03	(12.14)	(21.00)	(26.08)	(29.30)	42.12 - 16.35	38.34 - 20.98	27.80 - 15.66	37.58 - 14.26	44.18 - 31.48
DMND	§	DIAMOND FOODS INC	JUL	(7.48)	(3.98)	1.21	1.40	1.48	(27.82)	(23.31)	(19.96)	(21.28)	(0.04)	26.39 - 13.35	39.25 - 12.85	96.13 - 26.11	55.97 - 33.28	36.39 - 18.39
FLO	†	FLOWERS FOODS INC	DEC	1.11	0.67	0.61	0.67	0.63	0.66	0.97	1.95	2.44	2.00	25.67 - 15.69	16.13 - 12.26	15.42 - 10.64	12.26 - 10.21	11.73 - 9.07
GIS	[]	GENERAL MILLS INC	# MAY	2.90	2.86	2.42	2.80	2.32	(11.64)	(10.87)	(9.97)	(6.51)	(7.47)	53.07 - 40.44	41.88 - 36.75	40.80 - 34.54	38.98 - 33.11	36.04 - 23.18
HRL	[]	HORMEL FOODS CORP	OCT	1.99	1.90	1.78	1.49	1.27	7.58	7.85	7.17	6.13	5.10	46.18 - 31.46	31.62 - 27.28	30.50 - 24.52	26.14 - 18.89	20.23 - 14.58
JJSF	§	J & J SNACK FOODS CORP	SEP	3.43	2.87	2.95	2.61	2.23	21.18	18.64	16.57	13.80	12.60	90.79 - 63.00	65.60 - 46.73	55.58 - 41.91	50.25 - 36.80	44.75 - 30.12
K	[]	KELLOGG CO	DEC	4.98	2.68	3.40	3.32	3.17	(10.68)	(13.82)	(9.28)	(8.00)	(7.42)	67.98 - 56.04	57.21 - 46.33	57.70 - 48.10	56.00 - 47.28	54.10 - 35.64
GMCR	[]	KEURIG GREEN MOUNTAIN INC	SEP	3.23	2.34	1.36	0.60	0.49	9.40	6.25	3.84	0.70	3.47	89.66 - 38.73	71.15 - 17.11	115.98 - 32.73	38.86 - 21.83	27.65 - 7.12
KRFT	[]	KRAFT FOODS GROUP INC	DEC	4.55	2.77	3.13	3.21	NA	(14.33)	(17.55)	NA	NA	NA	58.76 - 45.15	48.00 - 42.00	NA - NA	NA - NA	NA - NA
LANC	†	LANCASTER COLONY CORP	JUN	4.00	3.51	3.84	4.08	3.18	14.82	17.12	15.31	13.69	10.75	89.95 - 69.65	78.34 - 62.68	72.04 - 51.96	61.60 - 43.28	53.41 - 31.90
MKC	[]	MCCORMICK & CO INC	NOV	2.94	3.07	2.82	2.79	2.29	(1.52)	(2.54)	(3.33)	(1.47)	(2.90)	75.26 - 60.82	66.37 - 49.87	51.26 - 43.36	47.83 - 35.40	36.80 - 28.08
MJN	[]	MEAD JOHNSON NUTRITION CO	DEC	3.20	2.96	2.48	2.20	1.96	(0.01)	(1.89)	(1.91)	(2.76)	(4.12)	86.87 - 65.38	88.72 - 61.27	76.91 - 55.12	63.38 - 43.50	50.35 - 25.72
MDLZ	[]	MONDELEZ INTERNATIONAL INC	DEC	1.30	0.87	2.00	1.44	2.04	(8.92)	(9.08)	(15.42)	(16.01)	(11.04)	35.43 - 25.78	42.54 - 24.50	37.93 - 30.21	32.67 - 27.09	29.84 - 20.81
POST	†	POST HOLDINGS INC	SEP	0.30	1.45	(10.47)	2.67	NA	(27.20)	(26.68)	NA	NA	NA	53.90 - 33.72	36.12 - 22.75	NA - NA	NA - NA	NA - NA
SAFM	§	SANDERSON FARMS INC	OCT	5.68	2.35	(5.74)	6.07	4.05	29.18	23.95	22.80	29.25	21.18	75.53 - 47.97	55.87 - 36.11	53.22 - 38.07	59.43 - 38.61	49.39 - 26.62
SENEA	§	SENECA FOODS CORP	# MAR	1.24	3.59	0.93	1.45	3.98	36.12	33.62	29.81	29.61	28.37	36.33 - 27.46	32.79 - 21.11	29.98 - 18.13	33.54 - 21.86	34.40 - 18.85
LNCE	§	SNYDERS-LANCE INC	DEC	1.13	0.86	0.57	0.07	1.13	(1.98)	(2.94)	1.36	0.73	4.63	32.49 - 24.15	27.09 - 21.64	24.26 - 17.06	27.11 - 15.91	28.26 - 18.36
HAIN	†	HAIN CELESTIAL GROUP INC	JUN	2.59	2.12	1.27	0.70	(0.61)	(3.62)	(1.08)	1.77	1.20	2.35	91.41 - 52.12	73.72 - 33.72	38.47 - 25.59	28.49 - 14.45	20.31 - 11.18
HSY	[]	HERSHEY CO	DEC	3.66	2.94	2.78	2.24	1.91	3.72	1.05	0.98	1.12	0.10	101.37 - 72.54	74.71 - 59.32	62.26 - 46.24	52.10 - 35.76	42.25 - 30.27
SJM	[]	SMUCKER (JM) CO	# APR	5.42	5.00	4.06	4.06	4.15	(10.75)	(9.33)	(9.78)	(4.03)	(4.26)	114.72 - 86.48	89.39 - 70.50	80.26 - 61.16	66.28 - 53.27	62.69 - 34.09
WWAV	†	WHITEWAVE FOODS CO	DEC	0.57	0.64	0.76	NA	NA	(1.08)	(2.05)	NA	NA	NA	23.64 - 14.67	19.17 - 14.22	NA - NA	NA - NA	NA - NA
TR	†	TOOTSIE ROLL INDUSTRIES INC	DEC	0.99	0.84	0.70	0.84	0.82	7.09	6.50	6.66	6.62	6.27	34.22 - 24.49	27.38 - 20.39	27.38 - 20.88	26.64 - 20.61	24.22 - 16.36
THS	§	TREEHOUSE FOODS INC	DEC	2.39	2.44	2.64	2.59	2.54	(8.82)	(8.61)	(12.05)	(15.86)	0.90	75.86 - 51.63	66.61 - 46.15	67.25 - 46.73	53.30 - 36.84	40.38 - 24.28
TSN	[]	TYSON FOODS INC -CL A	SEP	2.41	1.61	2.00	2.09	(1.44)	12.10	11.12	9.77	8.24	5.98	34.38 - 19.61	20.98 - 14.06	21.06 - 15.60	20.57 - 12.15	14.25 - 7.51
SOFT DRINKS‡																		
KO	[]	COCA-COLA CO	DEC	1.94	2.00	1.88	2.56	1.48	1.26	1.22	0.88	0.89	2.60	43.43 - 36.52	40.67 - 33.28	35.88 - 30.65	32.94 - 24.74	29.73 - 18.72
CCE	[]	COCA-COLA ENTERPRISES INC	DEC	2.49	2.30	2.35	1.84	1.49	(7.17)	(4.83)	(3.27)	(2.45)	(7.39)	44.36 - 32.01	32.55 - 25.45	29.99 - 23.03	31.80 - 18.84	21.53 - 9.70
DPS	[]	DR PEPPER SNAPPLE GROUP INC	DEC	3.08	2.99	2.77	2.19	2.18	(17.20)	(16.50)	(16.00)	(14.36)	(9.83)	50.37 - 42.10	46.06 - 36.51	43.13 - 33.68	40.24 - 26.38	30.65 - 11.83
MNST	[]	MONSTER BEVERAGE CORP	DEC	2.03	1.96	1.62	1.20	1.16	5.55	3.56	5.34	4.41	3.13	68.33 - 45.38	83.96 - 39.99	49.18 - 25.83	27.38 - 12.01	22.01 - 13.95
PEP	[]	PEPSICO INC	DEC	4.37	3.96	4.08	3.97	3.81	(5.39)	(7.18)	(8.02)	(4.55)	4.95	87.06 - 68.64	73.66 - 62.15	71.89 - 58.50	68.11 - 58.75	64.48 - 43.78
AGRICULTURAL PRODUCTS‡																		
ADM	[]	ARCHER-DANIELS-MIDLAND CO	DEC	2.03	1.84	3.17	3.00	2.66	29.73	26.74	27.31	22.45	20.63	43.99 - 27.90	33.98 - 24.38	38.02 - 23.69	34.03 - 24.22	33.00 - 23.13
DAR	§	DARLING INGREDIENTS INC	DEC	0.91	1.11	1.47	0.53	0.51	4.45	2.92	1.50	(3.27)	2.01	23.95 - 16.09	18.82 - 12.83	19.62 - 11.24	13.77 - 7.00	8.48 - 2.82
INGR	†	INGREDION INC	DEC	5.14	5.59	5.44	2.24	0.55	20.97	20.13	15.75	12.85	19.30	74.31 - 60.62	66.66 - 45.30	59.50 - 36.65	48.00 - 26.23	32.37 - 17.80

Ticker	Company	Yr. End	Earnings per Share ($) 2013	2012	2011	2010	2009	Tangible Book Value per Share ($) 2013	2012	2011	2010	2009	Share Price (High-Low, $) 2013	2012	2011	2010	2009
OTHER COMPANIES WITH SIGNIFICANT PACKAGED FOOD OPERATIONS																	
CQB	CHIQUITA BRANDS INTL INC	DEC	(0.34)	(8.75)	1.25	1.34	2.05	(3.35)	(3.67)	1.50	(0.01)	(2.01)	13.68 - 5.90	10.57 - 4.62	17.36 - 7.53	18.60 - 11.10	19.59 - 4.32
DOLE	DOLE FOOD CO INC	DEC	NA	0.00	0.44	(0.43)	1.38	NA	1.69	(4.01)	(3.57)	(3.11)	NA - NA	15.19 - 8.02	14.99 - 8.02	13.93 - 8.57	12.87 - 11.28
FDP	FRESH DEL MONTE PRODUCE INC	DEC	(0.61)	2.47	1.57	1.03	2.26	23.70	22.80	20.99	19.15	18.63	30.82 - 24.67	26.86 - 21.80	28.60 - 21.26	25.24 - 19.15	26.66 - 12.23
PPC	PILGRIM'S PRIDE CORP	DEC	2.12	0.70	(2.32)	0.41	(2.06)	5.63	3.35	2.39	4.78	1.22	19.23 - 7.30	8.68 - 4.20	8.61 - 2.90	13.05 - 5.35	10.49 - 0.46
PF	PINNACLE FOODS INC	DEC	0.84	0.47	(0.42)	NA	NA	(17.97)	(28.12)	NA	NA	NA	28.81 - 22.15	NA - NA	NA - NA	NA - NA	NA - NA
UN	UNILEVER NV -ADR	DEC	2.20	1.95	1.82	2.00	1.73	(3.28)	(3.15)	(3.61)	4.87	1.99	42.99 - 36.95	38.91 - 30.44	35.17 - 28.89	33.10 - 26.02	33.02 - 16.91
OTHER COMPANIES WITH SIGNIFICANT SOFT DRINK OPERATIONS																	
COKE	COCA-COLA BTLNG CONS	DEC	2.99	2.95	3.11	3.93	4.16	(47.03)	(53.24)	(53.85)	(54.40)	(55.85)	73.99 - 58.00	70.93 - 56.51	76.32 - 50.26	61.00 - 45.51	58.18 - 37.75
KOF	COCA-COLA FEMSA DE C V -ADR	DEC	4.28	5.11	4.08	4.29	3.54	5.09	13.05	9.66	8.69	6.23	181.35 - 109.50	150.44 - 93.32	102.59 - 71.35	84.60 - 56.51	67.55 - 25.96
COT	COTT CORP QUE	DEC	0.18	0.51	0.40	0.64	1.10	1.85	1.97	1.17	0.53	2.74	11.25 - 7.39	8.77 - 6.01	9.08 - 5.94	9.08 - 5.41	9.39 - 0.65
FIZZ	NATIONAL BEVERAGE CORP	# APR	0.93	1.01	0.95	0.88	0.71	1.97	1.19	2.31	1.42	2.74	21.47 - 13.21	17.75 - 13.30	17.76 - 12.30	15.45 - 10.75	14.50 - 7.17
OTHER COMPANIES WITH SIGNIFICANT AGRICULTURAL PRODUCTS OPERATIONS																	
BG	BUNGE LTD	DEC	0.91	2.53	6.20	16.20	2.24	57.17	65.09	68.02	70.99	54.77	84.18 - 65.74	74.00 - 56.20	76.13 - 54.03	74.04 - 45.36	72.98 - 38.75

Note: Data as originally reported. ‡S&P 1500 index group. []Company included in the S&P 500. †Company included in the S&P MidCap 400. §Company included in the S&P SmallCap 600. #Of the following calendar year.
J-This amount includes intangibles that cannot be identified.

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