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Locally Grown Foods

The average food product travels 1,200 to 2,500 miles from pasture to plate. In a country where food safety issues and environmentally-friendly alternatives are at the forefront of American society, consumers have become mindful of "green" culture, driving fresh and locally grown food sales growth.

Locally grown food sales are expected to increase from around \$4 billion in 2002 to \$5 billion in 2007, representing a CAGR of 4.6%.

"Restaurants, value channels such as drug stores and convenience stores, and even foodservice venues are tuning into the fresh and local consciousness that is taking hold in America," said Don Montuori of Packaged Facts. "New trends, including 'food miles,' 'the slow food movement,' and even 'locavores' who eat only locally grown foods, are just beginning to take root in the U.S., and we anticipate these and other trends will swiftly drive growth of local and fresh market foods."

Even with consumers' busy lifestyles, more people are flocking to farmers' markets for savings, social interaction, and food security. Consumers enjoy the exceptional taste and freshness that accompanies locally grown foods, but also realize the benefits of strengthening local economies, supporting

endangered family farms, and safeguarding family health, all while protecting the environment by reducing carbon dioxide emissions and packing materials. Whole Foods Market, the world's leading retailer of natural and organic foods, openly supports local growers and vendors, having set up an annual budget of \$10 million and currently does business with more than 2,400 independent farms.

Local farmers offer produce varieties bred for taste and freshness rather than for shipping and long shelf life. Knowing where food comes from and how it's grown or raised enables the consumer to choose safe

food from farmers who avoid or reduce their use of chemicals, pesticides, hormones, antibiotics, or genetically modified seed in their operations.

It is estimated that locally grown foods will grow to a \$7 billion business by 2011 due to the growth of farmers' markets as well as retail and foodservice initiatives to add more local products to their merchandise mix and menus.

Consumers are not only looking for local and organic fruits and vegetables, but fresh meats, seafood, dairy, and baked goods as well. Retail sales of fresh foods were \$230 billion in 2005, and in 2006, fresh produce exceeded fresh meat as the top-selling department within the perishables category.

Insight of the Month

Private Equity News

When TSG Consumer Partners started raising its most recent fund, the firm was besieged by hungry investors. And rightfully so, the firm's funds have yielded a compounded annual internal rate of return of approximately 59% since its inception and not a single unprofitable deal among them. Existing limited partners, like Colorado Public Employees' Retirement Association and the New York State Teachers' Retirement System, all wanted to increase their allocations. Would-be new LPs tried to beat down the firm's door, with demand ultimately reaching close to \$2 billion, but the firm decided to settle on approximately \$900 million for TSG5 LP, which closed in December 2006.

Focusing exclusively on branded consumer companies, TSG has been extremely active, announcing the sale of portfolio companies Alexia Foods, Inc. and The Harris Soup Company to ConAgra Foods, Inc. and Basic American, Inc., respectively, within a three day span in July. In May, the company sold PureOlogy Research, LLC, a

provider of hair care products, to cosmetic and skincare giant L'Oréal USA, Inc. TSG is coming off of another successful year in which the company sold GFA Brands, Inc. (Smart Balance, Inc.) and Energy Brands, Inc. (Glaceau VitaminWater) to Boulder Specialty Brands Inc. for \$465 million and The Tata Group for \$677 million, respectively.

Arbor Private Investment Company, another private equity firm focusing entirely on the consumer market, specifically food and beverage markets, has also been very active in 2007, compiling four acquisitions including Chinese and Asian restaurant operator Rice Garden Inc., deli meat producer National Provisions, Inc., and beverage retailer Sam's Wines & Spirits. In mid-July, Arbor completed the recapitalization of Minnesota-based Trudeau Distributing Company, one of the largest specialty retail food distributors and manufacturers serving grocery stores and other distributors throughout the U.S.

(\$ in millions)

Food Processing

July 23, 2007	ConAgra Foods Inc. bought Alexia Foods Inc. , a portfolio company of TSG Consumer Partners.	-	Based in Long Island City, NY, Alexia is a natural foods company that makes frozen potato products, organic appetizers, and artisan breads, generating \$35 million in annual sales.
July 20, 2007	Portland-based Harry's Fresh Foods , owned by TSG Consumer Partners, has been bought by Basic American Foods .	-	Harry's 80,000-square-foot plant produces a variety of products including soups, chilies, stews, side dishes, entrées, sauces, gravies, and deserts.
July 20, 2007	Siméus Foods International, Inc. acquired the custom frozen products business from Unilever Foodsolution .	-	The acquisition strengthens Siméus' market presence in the manufacture of custom frozen soups, sauces, gravies, and entrée items for institutional channel and restaurant chains.
July 18, 2007	London-based Tate & Lyle, P.L.C. has agreed to sell its European starch facilities to Syral SAS , a subsidiary of Tereos of France.	\$429.0	The sale of these starch facilities is an important step for Tate & Lyle's focus on value-added strategy and also reduces the impact of exposure to volatile markets and the E.U. sugar regime.
July 17, 2007	Sigma Alimentos , the subsidiary of Alfa , a Mexican conglomerate, signed an agreement to acquire Wisconsin-based Mexican Cheese Producers .	-	Sigma expects to leverage its current distribution network to gain additional market coverage and obtain synergies with the joint distribution of processed meats and cheeses.
July 13, 2007	Ebro Puleva will acquire Germany's largest pasta manufacturer, Birkel Teigwaren GmbH .	\$41.4	This will mark the third international transaction within Ebro Puleva's 2007-2009 Strategic Plan, and considerably strengthen their position in the German food market.
July 11, 2007	The Solae Company completed the acquisition of Cargill's isolated soy protein Prolisse product line .	-	Adding Cargill's membrane-based technology and patents to Solae's existing portfolio will enable Solae to offer a wider range of products and innovation.
July 10, 2007	Groupe Danone SA of France made a board-backed offer to acquire Dutch nutrition and baby food maker Royal Numico NV .	\$16,750.0	If completed, an acquisition of Numico would be the second major baby food takeover in Europe in 2007.
July 10, 2007	Bell Buckle Holdings, Inc. has acquired Mississippi-based specialty foods producer Bainbridge Festive Foods .	-	Bainbridge Festive Foods began producing hand-crafted gourmet pickles in 1981, before expanding production to include a range of jellies, jams, sauces, preserves, and spiced tea.
July 3, 2007	Kraft Foods Inc. , the world's number one cookie maker, agreed to purchase the cookies and cereals business of France's Groupe Danone SA .	\$7,200.0	The acquisition of Danone's cookies and cereals business will make Kraft the number one cookie seller in France, Poland, and Italy, double its sales in the Chinese market, and provide an entry into the Russian and Indonesian markets.

Protein

July 9, 2007	Premium Brands Income Fund has completed the acquisition of Centennial Foodservice Partnership .	\$84.0	Centennial is western Canada's leading specialty distributor of high quality protein products to the foodservice industry, serving 4,500 restaurants, hotels, and institutions.
July 1, 2007	Proliant Meat Ingredients will acquire Fisher Foods , a NE-based manufacturer of custom-blended stocks and broths.	-	The acquisition will expand expand Proliant Meat Ingredients' presence and products offerings within the meat and food industries.

Private Equity

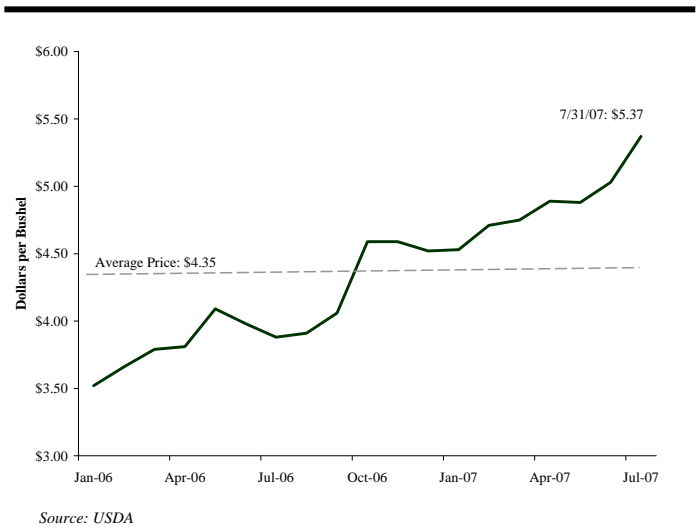
July 18, 2007	Swander Pace Capital has sold Fleischmann's Vinegar to American Capital Strategies .	-	Fleischmann's is the largest industrial vinegar manufacturer in North America.
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Commodities Impacting the Food and Beverage Industry

Wheat

- Heavy world demand for U.S. wheat sent wheat futures to new contract and 11 year highs. The U.S. Department of Agriculture indicated that in the last week of July, international sales of U.S. wheat were the largest weekly aggregate amount since January 1996.
- While wheat prices in the U.S. experienced near record prices, wheat futures in Europe were even higher. In particular, wheat prices in Paris surged to the highest price levels ever in the last week of July. This price increase was in response to French and German production forecasts being trimmed by excessive rain in the region.
- Several major wheat buyers increased their purchases from the U.S. due to shortfalls in exportable supply from Europe and Canada combined with drought-reduced crops in Morocco and Syria.

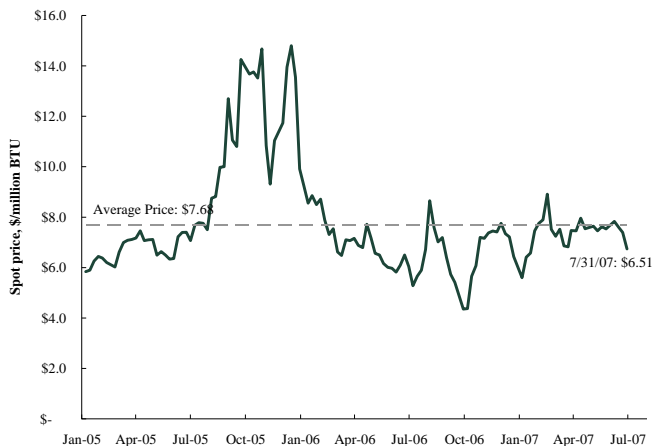
Wheat Prices



Natural Gas

- Natural gas prices continued to decline throughout most of July due to the mild temperatures in the densely populated Northeast and Midwest. Lack of supply interruptions and mild temperatures were the major forces contributing to the overall decline this month. However, the last week of July saw small increases in the price of natural gas due to the increasing temperatures and reports of possible tropical storm activity.

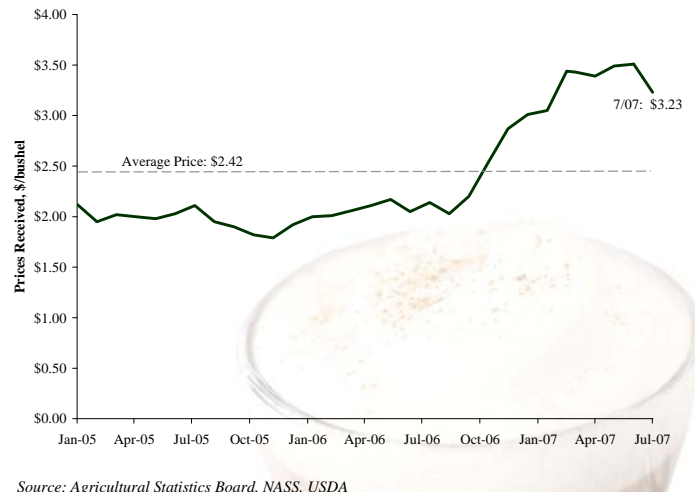
Henry Hub Natural Gas Price



Corn Prices

- The ethanol industry is expected to use 58% more corn in 2007-2008 as ethanol production capacity increases in the coming months. U.S. farmers have responded to the recent price increases by planting their largest corn acreage since 1944, an estimated 92.9 million this year, to meet the demand for food, ethanol, feed, and exports.

Corn Prices



Public Company Analysis

(\$ in millions, except per share data)

Company Name	Stock Price ^(a)	Market Cap ^(a)	Enterprise Value ^(b)	Margins			Enterprise Value			Total Debt / EBITDA
				Gross	EBITDA	EBIT	TTM Revenue	TTM EBITDA	TTM EBIT	
Processed Foods ^(c)										
Campbell Soup Co. (NYSE:CPB)	\$ 36.83	\$14,269.6	\$16,611.6	42.3%	20.0%	16.4%	2.15x	10.8x	13.1x	1.7x
ConAgra Foods Inc. (NYSE:CAG)	25.35	12,416.6	15,140.9	26.5	15.1	12.2	1.26	8.3	10.3	1.9
Dean Foods Co. (NYSE:DF)	28.77	3,740.0	7,065.5	27.1	9.0	6.7	0.69	7.7	10.3	3.7
Del Monte Foods Co. (NYSE:DLM)	11.60	2,348.2	4,338.3	26.6	13.8	10.9	1.27	9.2	11.7	4.3
Flowers Foods Inc. (NYSE:FLO)	20.50	1,870.9	1,923.4	49.5	10.5	7.1	0.99	9.5	14.0	0.3
Fresh Del Monte Produce Inc. (NYSE:FDP)	25.65	1,480.2	1,932.4	7.6	4.1	1.6	0.60	14.6	38.1	3.6
General Mills Inc. (NYSE:GIS)	55.62	18,365.1	25,293.1	36.1	21.8	18.5	2.03	9.3	11.0	2.3
Hershey Co. (NYSE:HSY)	46.10	10,537.1	12,728.1	36.8	24.6	20.1	2.57	10.4	12.7	1.8
HJ Heinz Co. (NYSE:HNZ)	43.76	14,096.4	18,423.7	37.7	19.4	16.4	2.05	10.6	12.5	2.8
Kellogg Co. (NYSE:K)	51.81	20,516.8	24,965.8	44.9	20.7	17.5	2.19	10.6	12.5	2.1
Kraft Foods Inc. (NYSE:KFT)	32.75	52,534.7	62,825.7	36.1	17.5	15.0	1.80	10.3	12.1	1.7
Ralcorp Holdings Inc. (NYSE:RAH)	51.96	1,404.8	2,146.2	19.6	12.1	8.6	1.08	8.9	12.6	3.1
Sara Lee Corp. (NYSE:SLE)	15.85	11,643.1	13,372.1	37.4	12.0	8.4	0.81	6.7	9.6	2.1
The Hain Celestial Group Inc. (NASDAQ:HAIN)	27.09	1,075.0	1,250.0	28.9	11.5	9.8	1.43	12.5	14.5	2.2
The J. M. Smucker Company (NYSE:SJM)	55.81	3,176.9	3,402.4	33.1	15.8	13.1	1.58	10.0	12.1	1.3
Treehouse Foods Inc. (NYSE:THS)	22.41	699.2	890.4	20.7	10.9	8.2	0.87	7.9	10.6	1.7
Median ^(d)				34.6%	14.4%	11.5%	1.35x	9.7x	12.1x	2.1x
Average ^(d)				31.9	14.9	11.9	1.46	9.8	12.0	2.3

Protein ^(c)

Hormel Foods Corp. (NYSE:HRL)	\$ 34.42	\$ 4,738.6	\$ 4,980.9	23.4%	10.1%	8.0%	0.83x	8.3x	10.5x	0.6x
Pilgrim's Pride Corp. (NYSE:PPC)	33.68	2,241.6	3,948.2	4.8	2.2	-	0.66	30.1	-	13.7
Smithfield Foods Inc. (NYSE:SFD)	31.06	4,168.9	7,217.9	9.6	5.6	3.7	0.61	10.9	16.5	4.7
Tyson Foods Inc. (NYSE:TSN)	21.30	7,584.0	10,513.0	5.1	4.1	2.1	0.40	9.7	18.5	2.7
Median ^(d)				7.4%	4.8%	3.7%	0.63x	9.7x	13.5x	3.7x
Average ^(d)				10.7	5.5	4.6	0.62	9.6	13.5	5.4

Beverage ^(c)

Coca-Cola Co. (NYSE:KO)	\$ 52.11	\$ 120,560.4	\$ 125,706.4	64.9%	31.5%	27.6%	4.79x	15.2x	17.4x	1.2x
Constellation Brands Inc. (NYSE:STZ)	21.93	4,727.6	9,681.0	30.4	20.6	17.7	1.95	9.5	11.0	4.9
Hansen Natural Corp. (NASDAQ:HANS)	40.55	3,651.9	3,468.9	52.0	25.5	25.2	5.32	20.9	21.1	0.0
Pepsico, Inc. (NYSE:PEP)	65.62	106,027.9	107,707.9	54.8	24.0	20.1	2.94	12.3	14.6	0.4
Median ^(d)				53.4%	24.7%	22.7%	3.87x	13.7x	16.0x	0.8x
Average ^(d)				50.5	25.4	22.7	3.75	14.5	16.0	1.6

Source: Capital IQ

(a) As of 07/31/2007

(b) Enterprise value is market value of equity plus preferred equity, minority interest, and net debt (debt less cash)

(c) Figures have been adjusted for non-recurring and extraordinary gains or losses

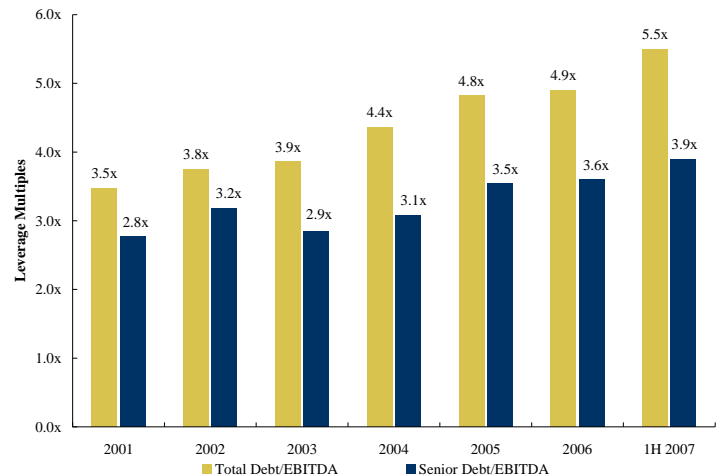
(d) Outliers (boxed above) are excluded from summary multiples and statistics

S&P 500 vs. S&P Food



Source: Capital IQ

Leverage Multiples



Source: Standard & Poors

has been acquired by

Best Brands Corp.
a portfolio company of
Brantley Partners
has acquired

a division of

The J. M. Smucker Company
(NYSE: SJM)

Best Brands Corp.

has been recapitalized by

The assets of

have been acquired by

has been acquired by

has been acquired by

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