



Brown Gibbons Lang & Company

Cleveland

1111 Superior Ave.
Suite 900
Cleveland, OH 44114

Chicago

Two Prudential Plaza
180 N. Stetson Ave.
Suite 3600
Chicago, IL 60601

Boston

Two International Place
16th Floor
Boston, MA 02110

For more information about how BGL's Food & Beverage Group can assist your company, please contact:

H. Glen Clarke
Managing Director & Principal,
Head of Food & Beverage Group
gclarke@bglco.com
312.658.1600

A "Brand" New Ralcorp

On November 15, 2007, Ralcorp Holdings, Inc. announced a definitive agreement with Kraft Foods Inc. to merge Post cereals with Ralcorp in an all-stock transaction. Post is the third-largest branded cereal manufacturer in the U.S. with over 100 years of history in the industry. Post includes iconic brands such as Honey Bunches of Oats (the category's third best selling cereal), Pebbles, Post Selects, Spoon Size Shredded Wheat, Grape Nuts, and Post Raisin Bran. The transaction is valued at approximately \$2.6 billion, including the issuance and assumption of debt.

"This is a transforming event for Ralcorp. The addition of Post cereals gives Ralcorp a truly distinctive line of branded cereal products plus a branded infrastructure and platform that we can build on through organic growth and acquisitions," said David P. Skarie, co-chief executive officer and president of Ralcorp Holdings, Inc., who oversees the company's Ralston Foods and Carriage House businesses and will be responsible for the branded cereals post-closing. "The Post transaction gives us the scale to now look at the potential of branded acquisitions," said Mr. Skarie. The key difference between Ralcorp's Chex business (which was later sold to General Mills in 1997) and this opportunity is that Post provides an infrastructure and scale to serve as a branded platform for further growth.

Insight of the Month

The merger is viewed as a "big win" for Ralcorp and essentially neutral for Kraft shareholders. Kraft shareholders will get 54% of the new Ralcorp plus \$960 million in "cash equivalent value." There is substantial execution and integration risk to take ownership of a brand, but this transaction is very attractive for Ralcorp as it is highly accretive to EPS while lowering total debt measured as a percentage of EBITDA. The deal increases earnings per share by \$0.44 to \$0.68 for pro forma 2008 and allows Ralcorp to maintain a conservative leverage profile while generating substantial incremental free cash flow to fund additional acquisitions. Kraft's EPS will be diluted by \$0.07-\$0.13 per share by the deal, but Kraft shareholders will obtain a greater focused branded portfolio while capturing 54% of the synergies that the merger should potentially generate.

The new Ralcorp Holdings will generate \$3.3 billion in sales, representing over a \$1.0 billion increase. Sales will be divided as such: 32% branded, 49% private label, and 19% frozen bakery (primarily in-store bakery or foodservice). The transaction is expected to increase Ralcorp Holdings' EBITDA margin from 10.9% to 16.0%-16.6%, which will provide more flexibility to manage through the volatile commodity costs environment.

Post is valued at approximately 9.0x EBITDA or 2.5x sales, and expected to close in mid-2008.

Private Equity News

In deal news, Brazos Private Equity Partners has teamed up with food industry veteran Terry O'Brien, former executive at Dean Foods and Frito-Lay, who most recently created Wholesome Holdings. On November 5th, Brazos Private Equity acquired Sadler's Bar-B-Que Sales Ltd., a family-owned company based in Henderson, Texas. Sadler's grew from a roadside food stand into a multi-state meat smoker and distributor. On the same day, the Dallas-based buyout firm also purchased Golden County Foods Inc., a Plover, Wisconsin-based maker and distributor of frozen foods, with a focus on potato products, from GESD Capital. Terry O'Brien will become CEO of both companies.

Private equity firm The Riverside Company has acquired Green Glen Produce Inc., a Hanover, Pennsylvania-based processor of green beans, for undisclosed terms. The latest acquisition is an add-on

to GreenLine Foods of Bowling Green, Ohio, a producer of green beans in microwaveable packaging and other produce items, which Riverside acquired in September 2006.

In other consumer news, Swander Pace Capital has sold Eagle Pack Holdings, a Mishawaka, Indiana-based producer of premium natural/holistic hot dog and cat food, to a private equity investment firm, Berwind Corporation, for undisclosed terms.

On November 6th, Prospect Capital Corporation, a publicly-traded private equity sponsor, announced its second lien debt investment of \$18 million into Shearer's Foods, Inc., a leading manufacturer and distributor of snack food products based in Brewster, Ohio. Shearer's is the largest producer of kettle-cooked potato chips in the U.S., which is one of the fastest growing categories in the potato chip market.

(\$ in millions)

Food Processing

November 29, 2007	SunOpta Inc. has acquired the outstanding shares of Tradin Organic Corporation B.V. , a key supplier of organic products headquartered in Amsterdam, the Netherlands.	-	SunOpta's broad natural and organic foods platform is complemented by Tradin's organic foods sourcing and processing expertise. The combination is expected to further integrate the company's sourcing and processing opportunities and position SunOpta as a global leader in the provision of organic ingredients in the world.
November 20, 2007	Japan Tobacco Inc. and Nissin Food Products Co. together are acquiring food processor Katokichi Co.	\$910.5	Japan Tobacco Inc. primarily offers cigarettes under various brands, including Camel, Mild Seven, Salem, and Winston. Nissin Food Products Co. manufactures and sells instant noodles, cereals, yogurts, dessert products, snacks, and confectioneries. The acquisition of Katokichi will bolster its frozen food operations.
November 15, 2007	Ralcorp Holdings, Inc. has signed an agreement with Kraft Foods Inc. to merge with Post cereals in an all-stock transaction.	2,600.0	Post is the third largest branded ready-to-eat cereal manufacturer in the U.S. This acquisition provides Ralcorp with a branded platform to grow.
November 14, 2007	Lassonde Specialties Inc. , a manufacturer of specialty food products, is purchasing substantially all the assets of Mondiv Food Products Inc.	18.9	Mondiv products include mainly pasta and other specialty sauces, bruschetta, tapenades, and artichoke antipastos. The acquisition will diversify Lassonde's current product line and packaging offerings, add to its production capacity, develop new products, and extend its market position in North America.
November 7, 2007	Kellogg Co. acquired two health food companies, Wholesome & Hearty Foods Co. and Bear Naked Inc.	122.0	Wholesome & Healthy Foods Co. is a U.S. manufacturer of vegetarian foods marketed under the Gardenburger brand. Bear Naked Inc. is a seller of natural granola products. Both companies expand Kashi and Kellogg's organic presence and will serve as a platform for significant growth within the healthy snack category.

Protein

November 12, 2007	Cagle's Inc. , an Atlanta-based poultry producer, received a proposal from the Cagle family, which owns 64% of the company, to acquire the remaining shares at a 21.6% premium.	15.1	The offer came from a group consisting of CEO James Douglas Cagle, his two sons, who are both vice presidents of the company, and a limited liability company controlled by members of the Cagle family.
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Beverages

November 12, 2007	Constellation Brands Inc. , the world's biggest winemaker, is acquiring Fortune Brands Inc. 's U.S. wine business.	885.0	Under the deal, Constellation will bolster its U.S. premium wine business and acquire more than 1,500 acres of vineyards in California and five California wineries.
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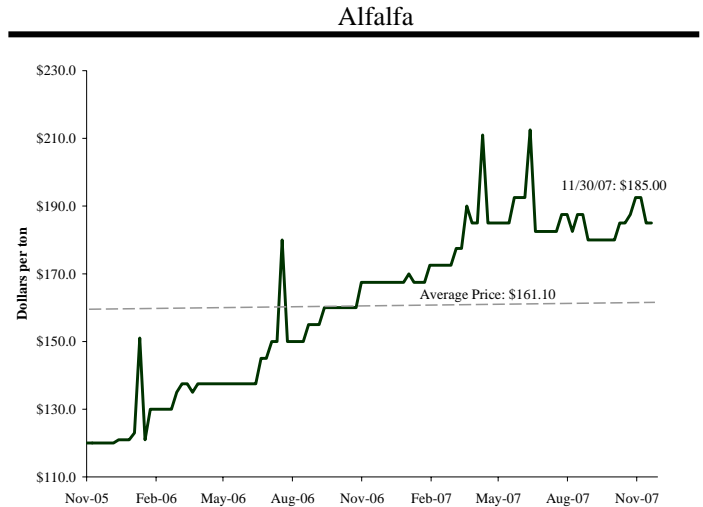
Private Equity

November 19, 2007	Riverside Co. has acquired Green Glen Produce Inc. , a processor of green beans based in Hanover, Pennsylvania.	-	The acquisition will serve as an add-on to GreenLine Foods of Bowling Green, which Riverside acquired in September of 2006. In addition, the acquisition will expand the company's processing capacity and help GreenLine to better serve its East Coast customers.
November 9, 2007	Fresh Start Bakeries Inc. , owned by Lindsay Goldberg & Bessemer, has acquired Sweet Life Enterprises Inc. , a Santa Ana-based cookie maker.	-	The acquisition boosts Fresh Start's orders with McDonald's and broadens the company's dessert selling business. Fresh Start also sells ice cream cones, fruit pies, and cakes.
November 5, 2007	Brazos Private Equity acquired Sadler's Bar-B-Que Sales Ltd. , a family-owned firm based in Henderson, Texas.	-	Sadler's Barbecue Sales Inc. offers various products such as pit smoked meats, BBQ sauces, cooked meats, and Hispanic items. The company has grown from a roadside food stand into a multi-state meat smoker and distributor.
November 5, 2007	Brazos Private Equity acquired Golden County Foods Inc. , a Plover, Wisconsin-based maker and distributor of frozen foods.	-	Golden County Foods Inc. manufactures and sells potatoes, vegetables, and other foods for retail, foodservice, and private label.

Commodities Impacting the Food and Beverage Industry

Alfalfa

- Competition for land from other more valuable field crops such as corn and wheat has driven prices for alfalfa hay to record levels in California.
- Dry weather has plagued many of the states that export alfalfa, increasing pressure on both prices and supply.
- Alfalfa hay, important in dairy nutrition, has very few alternatives.
- Acreage has not increased as expected due to irrigation limitations, high prices of grains, and the fact that growers have other options.
- Prices are expected to remain high well into 2008.



Source: Milling & Baking News

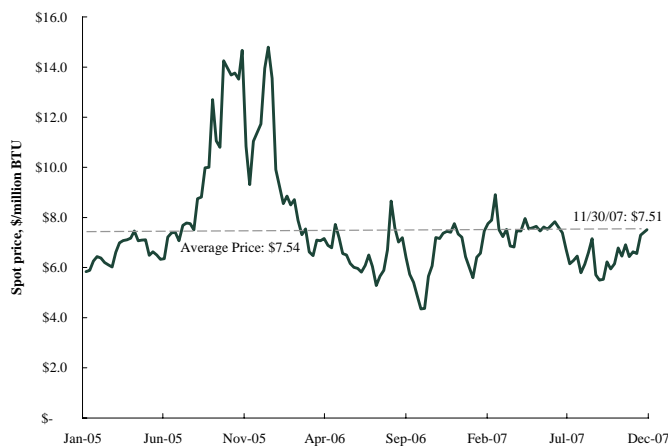
Natural Gas

- Natural gas prices increased during the last week of November with colder temperatures across large portions of the lower 48 states and continuing high level of crude oil prices. Despite recent price spikes, natural gas markets appear to be well-supplied with record levels of gas in storage.

Corn Prices

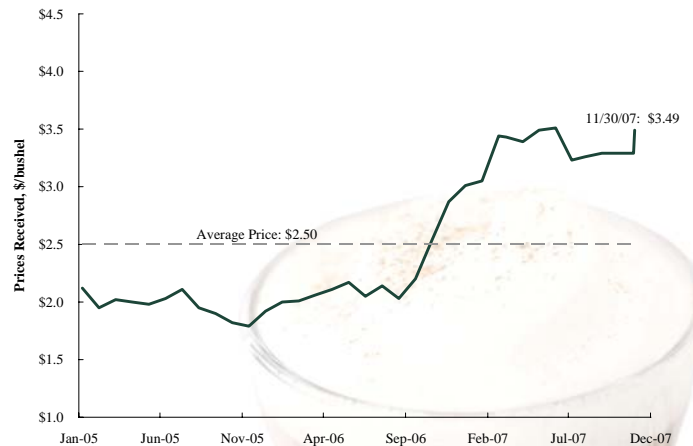
- Corn prices have moved higher for the month of November. Poor crops in many countries contributed to increased demand for U.S. corn. Prices are expected to be sustained well into 2008 as demand for corn for domestic feed use could be slightly higher, along with growing export demand and demand for the production of ethanol.

Henry Hub Natural Gas Price



Source: Energy Information Administration

Corn Prices



Source: Agricultural Statistics Board, NASS, USDA

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)	\$ 36.72	\$ 14,097.5	\$ 16,911.5	41.9%	19.3%	15.7%	2.1x	11.2x	13.8x	1.9x
ConAgra Foods Inc. (NYSE:CAG)	25.02	12,191.1	15,455.3	26.5	14.5	11.7	1.3	8.3	10.1	1.9
Dean Foods Co. (NYSE:DF)	24.94	3,282.3	8,603.4	27.1	8.9	6.6	0.8	10.1	13.9	6.3
Del Monte Foods Co. (NYSE:DLM)	8.80	1,782.3	3,827.1	26.6	13.8	10.9	1.1	8.1	10.4	4.4
Flowers Foods Inc. (NYSE:FLO)	23.23	2,138.6	2,151.7	49.7	9.5	6.1	1.1	10.5	15.5	0.1
Fresh Del Monte Produce Inc. (NYSE:FDP)	30.92	1,927.4	2,284.3	6.6	3.0	0.4	0.7	10.2	15.8	1.7
General Mills Inc. (NYSE:GIS)	60.15	20,208.6	28,551.6	36.1	20.2	16.9	2.3	10.9	12.9	3.2
Hershey Co. (NYSE:HSY)	39.91	9,061.6	11,409.0	37.7	24.4	20.3	2.3	9.4	12.3	2.0
HJ Heinz Co. (NYSE:HNZ)	47.30	14,990.2	19,521.9	37.7	19.0	16.1	2.1	11.1	13.1	2.8
Kellogg Co. (NYSE:K)	54.04	21,286.8	25,600.8	44.9	20.2	16.9	2.2	10.9	12.9	2.1
Kraft Foods Inc. (NYSE:KFT)	34.55	53,455.6	66,413.6	36.2	17.9	15.3	1.8	11.2	13.1	2.3
Ralcorp Holdings Inc. (NYSE:RAH)	61.39	1,576.1	2,339.7	18.5	10.7	7.2	1.0	9.4	13.7	3.1
Sara Lee Corp. (NYSE:SLE)	16.83	12,188.2	14,109.2	38.8	11.3	7.0	1.1	10.3	16.3	2.6
The Hain Celestial Group Inc. (NASDAQ:HAIN)	33.08	1,312.7	1,495.0	29.0	11.0	9.4	1.6	15.1	17.4	2.2
The J. M. Smucker Company (NYSE:SJM)	49.13	2,825.6	3,329.7	33.1	15.3	12.5	1.5	9.5	11.4	2.2
Treehouse Foods Inc. (NYSE:THS)	23.57	735.5	1,052.4	21.4	9.5	6.9	1.0	9.7	13.5	2.9
Median ^(d)				34.6%	14.2%	11.3%	1.36x	10.2x	13.3x	2.3x
Average ^(d)				32.0	14.3	11.2	1.50	10.1	13.5	2.6

Protein ^(c)

Hormel Foods Corp. (NYSE:HRL)	\$ 39.75	\$ 5,427.0	\$ 5,627.2	22.8%	9.8%	7.8%	0.9x	9.2x	11.6x	0.6x
Pilgrim's Pride Corp. (NYSE:PPC)	26.08	1,735.8	2,982.9	7.8	5.7	3.1	0.4	6.9	12.8	3.1
Smithfield Foods Inc. (NYSE:SFD)	30.05	4,034.1	7,410.5	9.6	5.2	3.3	0.6	10.3	15.3	4.8
Tyson Foods Inc. (NYSE:TSN)	14.91	5,302.4	8,039.4	5.4	4.2	2.3	0.3	7.1	12.9	2.4
Median ^(d)				8.7%	5.4%	3.2%	0.49x	8.1x	12.8x	2.8x
Average ^(d)				11.4	6.2	4.1	0.55	8.4	12.5	2.7

Beverage ^(c)

Coca-Cola Co. (NYSE:KO)	\$ 62.10	\$ 143,511.7	\$ 148,346.7	66.1%	30.9%	27.0%	5.4x	18.0x	20.7x	1.2x
Constellation Brands Inc. (NYSE:STZ)	23.55	5,073.2	9,789.0	29.8	17.9	15.4	2.2	9.8	11.6	4.8
Hansen Natural Corp. (NASDAQ:HANS)	43.41	4,005.3	3,750.5	52.3	26.4	26.2	4.6	18.4	18.6	0.0
Pepsico, Inc. (NYSE:PEP)	77.18	124,236.8	124,892.8	55.1	22.3	18.3	3.3	13.8	16.4	0.3
Median ^(d)				53.7%	24.4%	22.3%	3.97x	15.9x	17.5x	0.8x
Average ^(d)				50.8	24.4	21.7	3.89	15.0	16.8	1.6

Source: Capital IQ

(a) As of 11/30/2007

(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

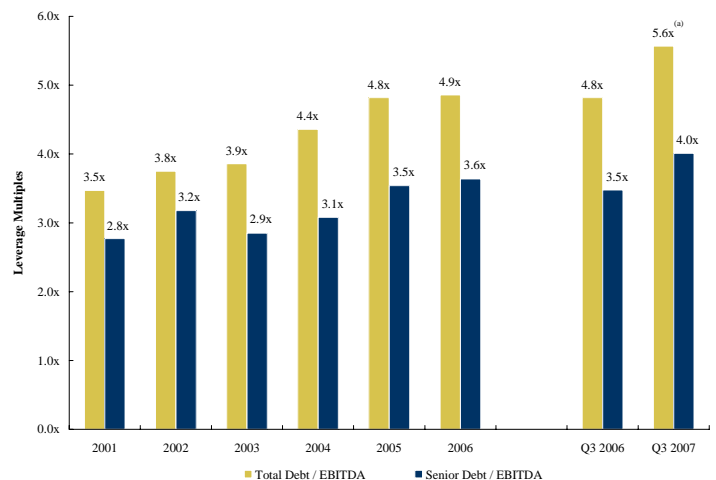
(d) Outliers (boxed above) are excluded from summary multiples and statistics

S&P 500 vs. S&P Food



Source: Capital IQ

Leverage Multiples



(a) Third quarter 2007 multiples based on only 13 transactions

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

Brown Gibbons Lang & Company Food & Beverage Group

H. Glen Clarke
Managing Director
& Principal
gclarke@bglco.com
Chicago

Leslie A. Nolan
Vice President
lnolan@bglco.com
Chicago

Jonathan A. Adams
Analyst
jadams@bglco.com
Chicago



Cleveland
216.241.2800

Chicago
312.658.1600

Boston
617.235.7207

www.bglco.com

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