



Brown Gibbons Lang & Company

Cleveland

1111 Superior Ave.
Suite 900
Cleveland, OH 44114

Chicago

Two Prudential Plaza
180 N. Stetson
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,
Head of Food &
Beverage Group
gclarke@bgco.com
312.658.1600

Demand for Corn to Produce Ethanol, Dramatic Effect on the U.S. Economy

Corn is the new gold of the grain world. At a time when grain prices typically hit lower levels, the price of corn has skyrocketed 55% since mid-September. From fattening farm animals to making cereal to producing ethanol, corn plays a critical role in everyday life.

Domestic initiatives to decrease the percentage of oil imports have led to a push in alternative energy sources, specifically ethanol. Ethanol is expected to require about 25% of this year's corn crop, opposed to just 6% in 2000.

According to the Renewable Fuels Association, 111 plants are operating and another 75 are under construction, with firms such as the Carlyle Group to Cargill investing in the industry.

Helping to meet this demand, the U.S. imported more than 418 million gallons of ethanol in 2006 from Brazil, often referred to as the "Saudi Arabia" of ethanol. Despite significant incentives to domestic ethanol producers, Brazilian ethanol is generally less expensive by approximately \$.15, after transportation costs. However, current ethanol imports are capped at 7% of total U.S. consumption. Further, the import

Insight of the Month

tariff expires in 2009 when the U.S. ethanol industry should be capable of supplying the country's needs.

The demand for corn has a domino effect on many aspects of the economy. Farmers will convert land to corn production to cash in on the trend, reducing the supply of other grains such as wheat and soybeans. As a result, processors of these grains will be forced to pay higher prices to the farmers in efforts to maintain a consistent supply.

Increased demand translates to above average profits for farmers and equipment manufacturers, while major food conglomerates continue to suffer financially. Most importantly, the consumer bears the higher prices at the supermarket.

The irony in the push for ethanol is the declining price of fuel, which recently dipped below \$2.00/gallon, versus \$2.16/gallon for ethanol blended fuel. This comparison does not take into account the dollars in government subsidies spent each year to promote ethanol production.

As corn prices recently hit a 10-year high and continue to rise, the impact will likely have a dramatic effect on the economy in the foreseeable future.

Private Equity News

In Private Equity news this month, Aramark's status as a publicly traded company ended with the completion of the buyout by management, **GS Capital Partners**, **CCMP Capital Advisors** and **J.P. Morgan Partners**, **Thomas H. Lee Partners**, and **Warburg Pincus** in late January. Aramark is an \$11 billion company, employing 240,000 people across the globe. The common shareholders accepted the buyout group's offer in August 2006. The total cash consideration for the transaction was \$6.1 billion with an implied enterprise value of \$8.0 billion, resulting in revenue and EBITDA multiples of 0.7x and 8.5x, respectively. Prior to this takeover, the CEO, Joseph Neubauer, led an \$890 million leveraged buyout of the company in 1984 and completed a \$690 million initial public offering in 2001.

After selling its 30% ownership interest in **Energy Brands, Inc.** to the **Tata Group** for \$677 million in August as well as its ownership interest in **GFA Brands** to **Boulder Specialty Brands, Inc.** for

\$465 million in September, it was recently announced that **TSG Consumer Partners** is "exploring strategic alternatives" in two other portfolio companies, **Harris Soup Co.** and **PureOlogy Research LLC.**

Expanding its presence in the Hispanic food industry, the **Huff Alternative Fund** made its second investment in the sector after providing the equity capital for the combination of **Reynaldo's Mexican Food Manufacturer** and **Don Gilberto Foods.** Huff's first investment was made in 2004, after the firm purchased **Wisconsin Cheese Group** from **Main Street Food Partners.**

Adding to its portfolio of franchisors, **Levine Leichtman Capital Partners** announced the acquisition of **Wetzel's Pretzels, LLC.** Wetzel's will complement LLCP's two other restaurant investments, **Quizno's Corporation** and **CiCi's Pizza, Inc.** Wetzel's is one of the largest soft pretzel retailers in the United States with approximately 190 locations across 27 states and five countries.

(\$ in millions)

Food Processing

January 31, 2007	J&J Snack Foods Corp. acquired the assets of Radar, Inc.	-	Radar, Inc. is a manufacturer and distributor of fig and fruit bars under the <i>Daddy Ray's</i> brand. This is J&J Snack Foods second acquisition of the month.
January 30, 2007	CSM has acquired Archer Daniels Midland Company's Specialty Ingredients Business.	\$55.0	Archer Daniels Midland Company's Specialty Ingredient business includes bakery enhancers, mixes, enrichments, and Monoglycerides, which had approximately \$50 million of revenues in 2006.
January 26, 2007	The Lactalis American Group Inc. of Group Lactalis reached an agreement to purchase Mozzarella Fresca Inc. of Concord.	-	Mozzarella Fresca, a manufacturer of mozzarella and other soft Italian-style cheeses, is Lactalis American Group's third subsidiary, along with Sorrento Lactalis and Lactalis USA.
January 25, 2007	CoolBrands International Inc. announced its intention to sell its Eskimo Pie brand to Dreyer's Grand Ice Cream, Inc., a division of Nestle SA.	\$18.9	The transaction includes the Real Fruit trademark as well as Chipwich and Eskimo Pie soft-serve and foodservice products, which accounted for \$35 million in sales last year.
January 23, 2007	Wm. Wrigley Jr. Company signed a purchase agreement to acquire an 80% initial interest in A. Korkunov.	\$300.0	A. Korkunov, a Russian privately-held premium chocolate company, will provide Wrigley with entry into the premium chocolate category and expands its presence in Eastern Europe.
January 23, 2007	B&G Foods, Inc. entered into an agreement to acquire the <i>Cream of Wheat</i> and <i>Cream of Rice</i> hot cereal brands from Kraft Foods, Inc.	\$200.0	<i>Cream of Wheat</i> and <i>Cream of Rice</i> brands are two high-end niche brands that fit well into B&G's branded product portfolio.
January 9, 2007	J&J Snack Foods Corp. acquired the assets of Hom/Ade Foods, Inc.	-	Hom/Ade Foods, a manufacturer of biscuits and dumplings sold under the <i>Mary B's</i> and private label brands, generated approximately \$30 million in revenues.
January 9, 2007	Synergy Flavors, a division within Carbery Group , has acquired Vanlab Corp.	-	Synergy Flavors is a developer of flavors for the food and beverage industry, which strengthens the company's business in the United States.

Protein

January 24, 2007	Cal-Maine Foods, Inc. signed an agreement to buy the 50% interest in Green Forest Foods, LLC owned by Pier 44 Properties, LLC.	-	Green Forest Foods, a producer and processor of eggs from approximately 1 million laying hens, was jointly owned and operated by Cal-Maine and Pier 44 since January 2006.
January 8, 2007	Jerky Snack Brands Inc. announced the acquisition of Pioneer Snacks Inc.	-	Jay Link, the CEO and President of Jerky Snack Brands, acquired Michigan-based Pioneer Snacks, a full-line manufacturer of premium meat snacks, as his latest venture in the meat snack industry.

Private Equity

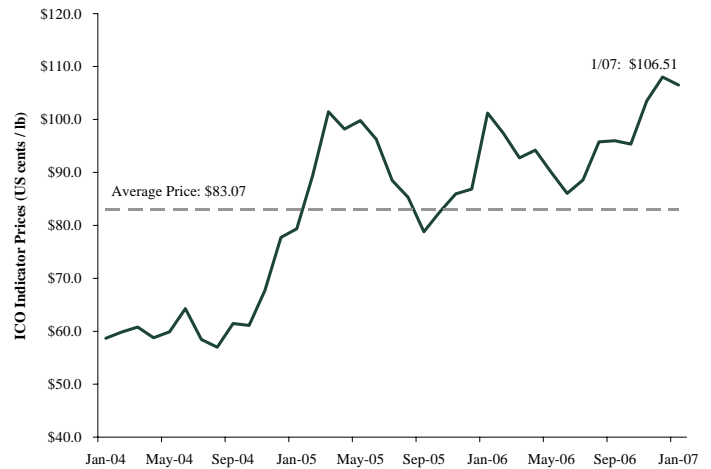
January 25, 2007	Sterling Investment Partners completed its acquisition of a majority stake in Fairway Market.	-	Fairway Market is a New York area retail store renowned for its high quality offerings and selection of meat, cheese, fish, produce, and specialty items.
January 9, 2007	Huff Alternative Fund provided the equity capital to facilitate the merger of Reynaldo's Mexican Food and Don Gilberto Foods.	-	Son of the founder of Cacique, Gilbert de Cardenas Jr. will be responsible for overseeing the combined operations of the two companies.

Commodities Impacting the Food and Beverage Industry

Coffee

- The monthly average of the ICO (International Coffee Organization) composite indicator price reached a level of \$108.01 cents per pound in December, the highest since June 1998.
- The coffee crop deficit, particularly in Brazil, and continued increased consumption, are leading to increased price of coffee beans.
- Early in January, the three major United States roasters (Proctor & Gamble, Massimo Zanetti Beverage USA, and Kraft Foods) increased prices on all well-known roast and ground coffee brands.
- Starbucks initiated price increases on espresso drinks and bagged coffee back in October as prices were beginning to rise.

ICO Indicator Prices

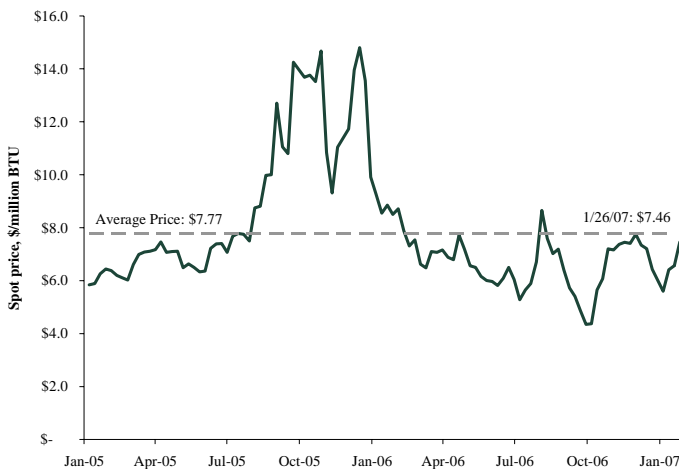


Source: International Coffee Organization.

Natural Gas

- The stretch of cold weather in Northeast and Midwest has created a greater demand of natural gas, resulting in a 16% increase from prices at the end of December.

Henry Hub Natural Gas Price

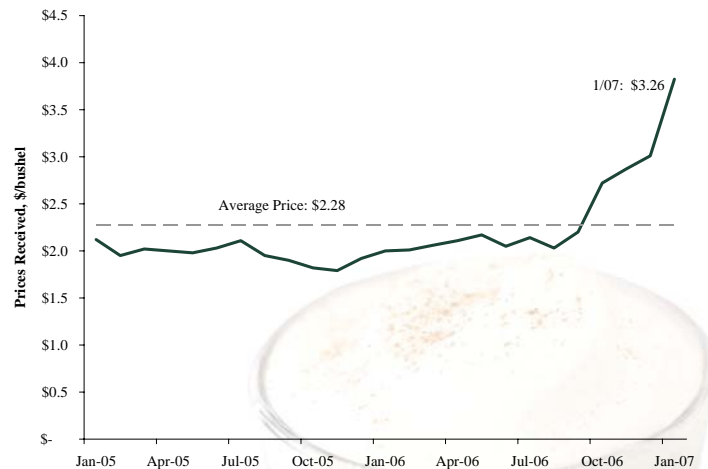


Source: Energy Information Administration.

Corn Prices

- The Mexican government has enacted a cap on tortilla prices, which climbed 14% over the prior year. The higher tortilla prices are attributed to a crop shortage in the northern region, resulting in the country's need to import U.S. white corn at a significant premium.

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)	\$ 38.48	\$ 14,965.5	\$ 17,598.5	42.0%	20.0%	16.2%	2.35x	11.7x	14.5x	1.9x
ConAgra Foods Inc. (NYSE:CAG)	25.71	12,987.8	15,742.4	25.1	13.7	10.7	1.35	9.9	12.5	2.2
Dean Foods Co. (NYSE:DF)	44.25	5,918.8	9,052.1	25.9	8.8	6.6	0.87	9.9	13.2	3.5
Del Monte Foods Co. (NYSE:DLM)	11.46	2,310.1	4,569.3	26.3	13.1	10.5	1.45	11.0	13.8	5.5
Flowers Foods Inc. (NYSE:FLO)	28.12	1,709.2	1,787.7	49.8	9.5	6.1	0.95	10.0	15.5	0.5
Fresh Del Monte Produce Inc. (NYSE:FDP)	15.40	893.8	1,264.6	6.5	3.1	0.5	0.39	12.5	86.0	4.0
General Mills Inc. (NYSE:GIS)	57.24	19,756.4	27,059.4	40.2	21.7	18.1	2.26	10.4	12.4	2.6
Hain Celestial Group Inc. (NasdaqNM:HAIN)	29.40	1,146.3	1,220.4	28.9	11.2	9.6	1.47	13.1	15.3	1.6
Hershey Co. (NYSE:HSY)	51.04	11,833.1	13,828.1	38.6	24.5	20.4	2.80	11.4	13.7	1.7
HJ Heinz Co. (NYSE:HNZ)	47.12	15,525.3	19,778.2	37.1	19.3	16.4	2.23	11.5	13.6	2.7
Kellogg Co. (NYSE:K)	49.27	19,594.7	24,228.4	44.8	19.4	16.2	2.22	11.4	13.7	2.4
Kraft Foods Inc. (NYSE:KFT)	34.92	57,400.8	67,375.8	36.2	18.3	15.7	1.96	10.7	12.5	1.6
Ralcorp Holdings Inc. (NYSE:RAH)	55.34	1,485.8	1,965.4	19.1	11.1	7.5	1.06	9.5	14.1	2.9
Sara Lee Corp. (NYSE:SLE)	17.15	12,808.1	14,135.1	37.4	12.5	8.2	0.88	7.1	10.7	2.2
The J. M. Smucker Company (NYSE:SJM)	47.49	2,697.0	3,041.5	31.6	14.9	11.7	1.40	9.4	12.0	1.3
Treehouse Foods Inc. (NYSE:THS)	29.81	930.1	1,200.8	21.2	10.9	8.3	1.43	13.1	17.3	2.9
Median ^(d)				33.9%	13.4%	10.6%	1.44x	10.9x	13.7x	2.3x
Average ^(d)				31.9	14.5	11.4	1.57	10.8	13.7	2.5
Protein ^(c)										
Hormel Foods Corp. (NYSE:HRL)	\$ 37.90	\$ 5,219.2	\$ 5,397.1	24.1%	10.1%	8.0%	0.94x	9.3x	11.7x	0.6x
Pilgrim's Pride Corp. (NYSE:PPC)	31.67	2,107.8	2,703.8	5.7	1.7	-	0.52	29.6	-	7.9
Smithfield Foods Inc. (NYSE:SFD)	26.26	2,937.0	6,047.6	9.8	5.7	3.8	0.54	9.5	14.2	5.0
Tyson Foods Inc. (NYSE:TSN)	17.75	6,297.6	9,213.6	3.6	2.2	0.1	0.36	16.7	279.2	5.4
Median ^(d)				7.7%	3.9%	3.8%	0.53x	9.4x	13.0x	5.2x
Average ^(d)				10.8	4.9	4.0	0.59	9.4	13.0	4.7
Beverage ^(c)										
Coca-Cola Co. (NYSE:KO)	\$ 47.88	\$ 112,221.0	\$ 113,038.0	65.8%	35.3%	31.5%	4.77x	13.5x	15.2x	0.5x
Constellation Brands Inc. (NYSE:STZ)	24.74	5,798.7	10,089.9	29.1	18.8	16.2	1.97	10.5	12.2	4.5
Hansen Natural Corp. (NasdaqSC:HANS)	38.09	3,427.9	3,313.5	52.4	31.1	30.8	6.91	22.3	22.5	0.0
Pepsico, Inc. (NYSE:PEP)	65.24	107,129.4	106,749.4	55.5	23.8	19.9	3.06	12.9	15.4	0.4
Median ^(d)				54.0%	27.5%	25.4%	3.92x	13.2x	15.3x	0.4x
Average ^(d)				50.7	27.3	24.6	4.18	14.8	16.3	1.3

Source: Capital IQ.

(a) As of 01/31/2007.

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

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

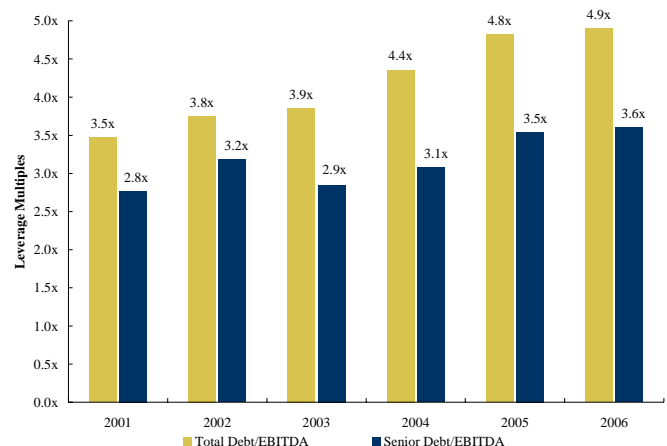
(d) Outliers (boxed above) are excluded from summary multiples and statistics.

S&P 500 vs. S&P Food



Source: Capital IQ.

Leverage Multiples



Source: Standard & Poors.

BB
Best Brands Corp.
a portfolio company of
Brantley Partners
has acquired
Multifoods FOODSERVICE & BAKERY PRODUCTS
a division of
SMUCKERS
 The J. M. Smucker Company
 (NYSE: SJM)

BB
Best Brands Corp.
has been recapitalized by
GE Commercial Finance

The assets of
PINNACLE
FOOD GROUP
have been acquired by
Pine Ridge Farms, LLC

STEARNS & LEHMAN
has been acquired by
KERRY

extreme™
foods
Jetcaté FRUIT FLAVORED **Vela** FRUIT FLAVORED
has been acquired by
KERRY

Brown Gibbons Lang & Company Food & Beverage Group

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

Charles F. Fultz
 Vice President
cfultz@bglco.com
Cleveland

Leslie A. Nolan
 Associate
lnolan@bglco.com
Chicago



Cleveland
 216.241.2800

Chicago
 312.658.1600

Boston
 617.235.7207

The Food & Beverage Insider is published every month by Brown Gibbons Lang & Co. To report any difficulties with this e-mail transition, please contact Vada Stepter.

The information contained in this publication was derived from proprietary research conducted by a division or owned or affiliated entity of Brown Gibbons Lang & Company Limited Partnership. Any projections, estimates or other forward-looking statements contained in this publication involve numerous and significant subjective assumptions and are subject to risks, contingencies, and uncertainties that are outside of our control, which could and likely will cause actual results to differ materially. We do not expect to, and assume no obligation to update or otherwise revise this publication or any information contained herein. Neither Brown Gibbons Lang & Company Limited Partnership, nor any of its officers, directors, employees, affiliates, agents or representatives makes any representation or warranty, expressed or implied, as to the accuracy, completeness or fitness of any information contained in this publication, and no legal liability is assumed or is to be implied against any of the aforementioned with respect thereto. This publication does not constitute the giving of investment advice, nor a part of any advice on investment decisions and nothing in this publication is intended to be a recommendation of a specific security or company, nor is any of the information contained herein intended to constitute an analysis of any company or security reasonably sufficient to form the basis for any investment decision. Brown Gibbons Lang & Company Limited Partnership, its affiliates and their officers, directors, employees or affiliates, or members of their families, may have a beneficial interest in the securities of a specific company mentioned in this publication and may purchase or sell such securities in the open market or otherwise. Nothing contained in this publication constitutes an offer to buy or sell or the solicitation of an offer to buy or sell any security.