THE WALL STREET TRANSCRIPT
Questioning Market Leaders For Long Term Investors

Outlook for 2008 Discussed in Food & Processed Foods Report

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WALL STREET, New York - March 6, 2008 - The Wall Street Transcript has just published its Food & Processed Food issue, a report offering a timely review of the sector to serious investors and industry executives. This 40-page feature contains industry commentary through in depth interviews with 10 CEOs and 1 analyst. The full issue is available by calling (212) 952-7433 or via The Wall Street Transcript Online.

In the following brief excerpt from the 40-page report, Heather L. Jones, BB&T Capital Markets discusses the outlook for the sector and for investors.

TWST: Are those kind of price increases going to boost production?

Ms. Jones: They have to. The USDA has released its initial estimate of planting intentions for winter wheat and, surprisingly, winter wheat acreage is expected to increase just 3%. The more detailed picture is more varied as soft red winter acreage is expected to increase more than 20%, while hard red winter is anticipated to be down modestly. Currently, there is much debate surrounding corn and soybean acreage. Soybean acreage dropped considerably in 2007, due to a dramatic increase in corn acreage; for the 2007/2008 marketing year, farmers planted approximately 15 million more acres to corn than the prior year, 11 million of which came from soybeans. Given strong international demand and very tight inventories, it is practically a given that soybean acreage has to and will increase. It was generally expected that the additional acres would come from corn, which was initially expected to lose somewhere around 8 to 9 million acres this year. However, export demand has been very strong and the new energy bill included a higher renewable fuels mandate. This all provides support to very high corn prices, which has made the farmers' decision more difficult. I believe more land must be brought into production, both domestically and internationally, in order to satisfy higher corn, wheat and soybean demand, as well as replenish stocks.

TWST: What do these higher prices mean for your food companies?

Ms. Jones: The only positive I see at this time is that manufacturers have clearly regained pricing power. Retailers don't like it, but they have become much more accepting. Anecdotally, we have heard that certain retailers are raising prices above what is required by the manufacturers' increase in order to recapture some of their lost margin. We understand that Wal-Mart (WMT) is not doing that and is still somewhat resistant to price increases, although they have become more accepting. Another problem these companies generally face is the lag between higher costs and the benefit of pricing. To go back to something I said earlier, the volatility that has reigned in the commodity markets has made it more difficult for manufacturers to completely know what their costs are in order to put through appropriate price increases.

TWST: As you talk with investors about this space, what's the interest level?

Ms. Jones: People are starting to sniff around. The packaged food names have come under pressure, and investors are beginning to sniff around names where they believe most of the bad news on costs is out. On the ethanol side, interest has waned. There was interest in December in anticipation of the higher renewable fuels mandate. Once that was passed, there was about one to two weeks of enthusiasm, but that has dissipated in the face of much higher corn prices. In the more agricultural names, interest has picked up for Corn Products International (CPO) and The Andersons (ANDE) because valuations have become very attractive. Finally, fundamentals for the fruit names Chiquita Brands (CQB) and Fresh Del Monte (FDP) are very attractive, which has definitely bolstered interest.

TWST: What are you telling investors to do at this point - homework?

Ms. Jones: Yes, do homework to be ready to pull the trigger. For those that have an appetite for risk, I'm definitely suggesting they take a look at Chiquita and Fresh Del Monte. Again, these are not buy and hold names because the markets they participate in are very volatile but right now fundamentals are very good for those. Besides that, I am telling them to focus on names such as Lance and Flowers because the cash flow is huge. I believe the bad news is in the names as far as on the cost side and there is a really strong pricing umbrella out there for them to be able to pass through pricing. I've also been aggressively pushing Corn Products. It's a name that has come under significant pressure since corn has surged. I think that's just a misunderstanding with the name because corn is their primary input. However, they hedge their corn costs extensively. Further, about 30% of their sales are byproducts of the corn wet milling process, such as corn oil, corn gluten meal, etc., which serve as a natural hedge to the cost of corn. In fact, prices for those products are up on a year-over-year basis even more than corn.