

Doing Business in Bentonville

Food Trend Data from the Nielsen Co.

Small- and Mid-Cap Food

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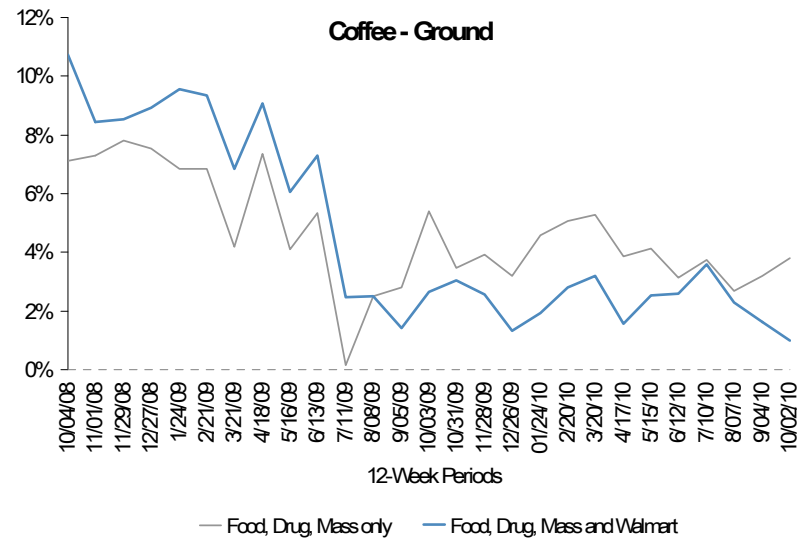
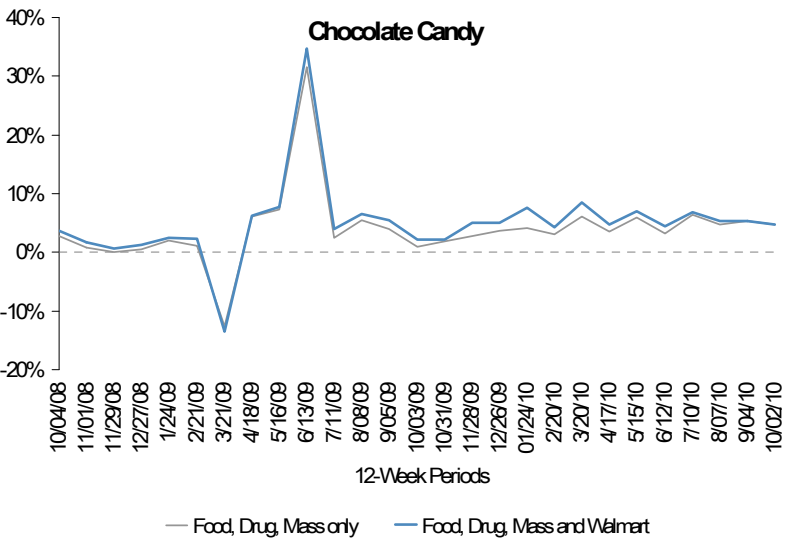
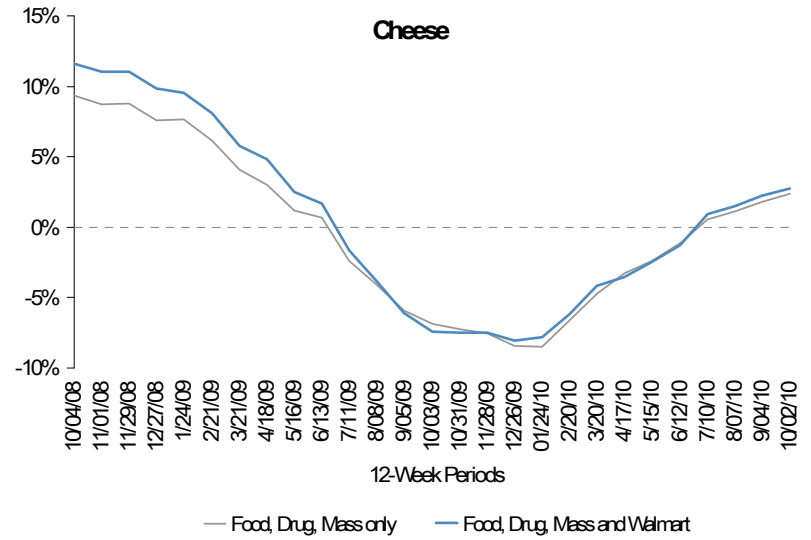
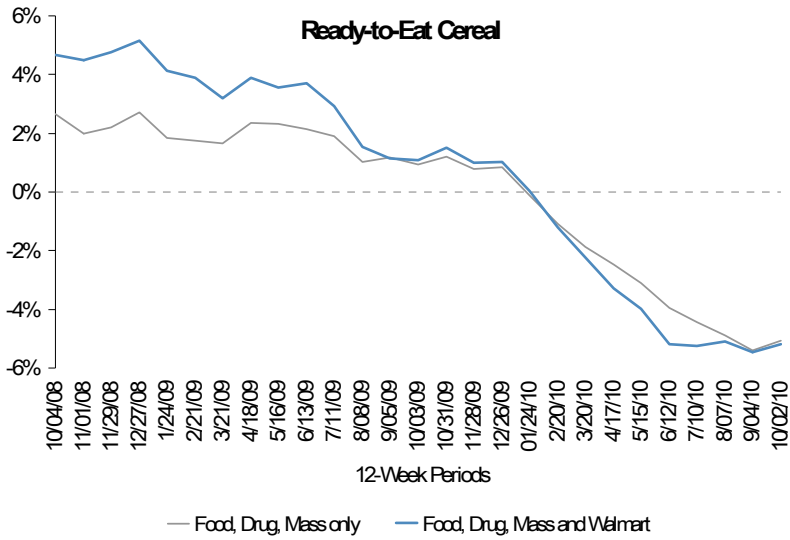
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Year-on-Year Sales Growth

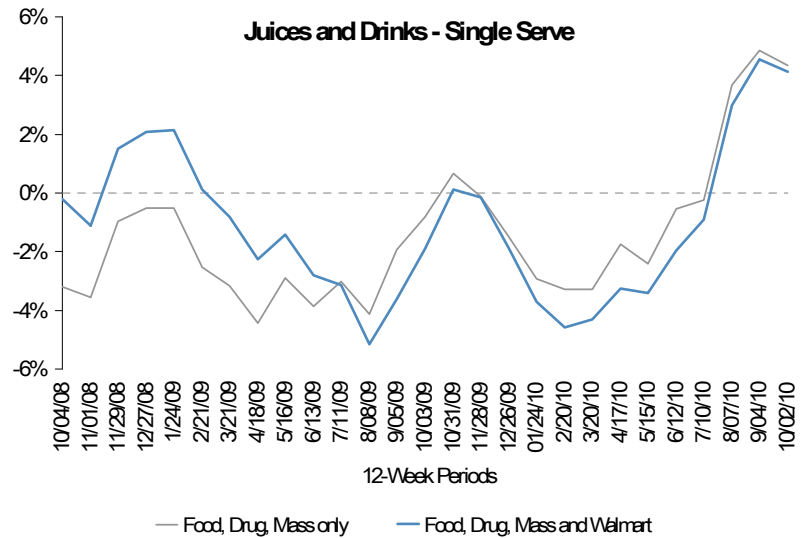
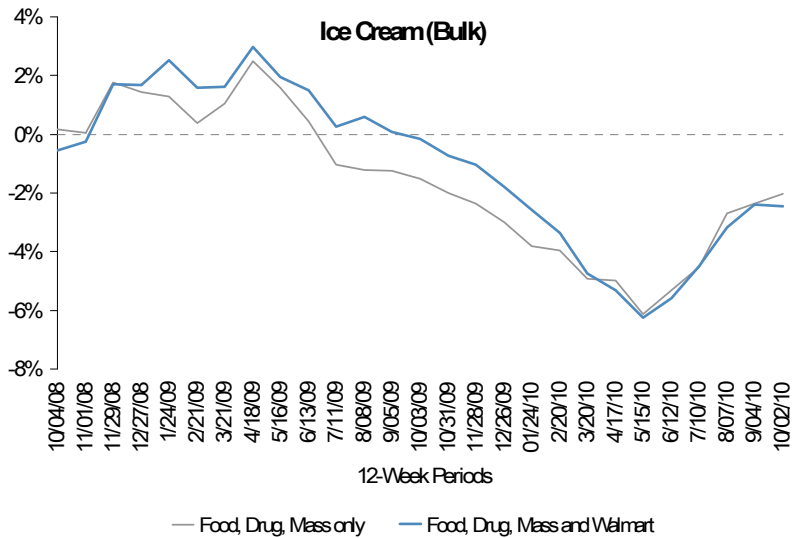
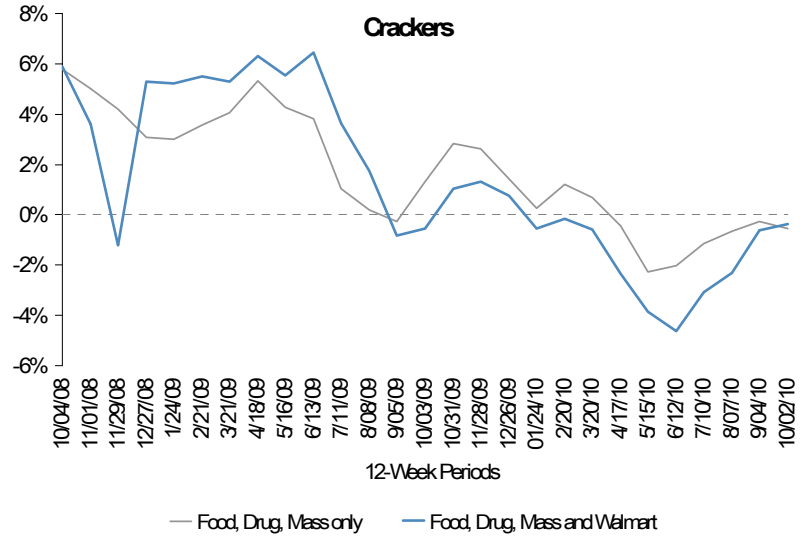
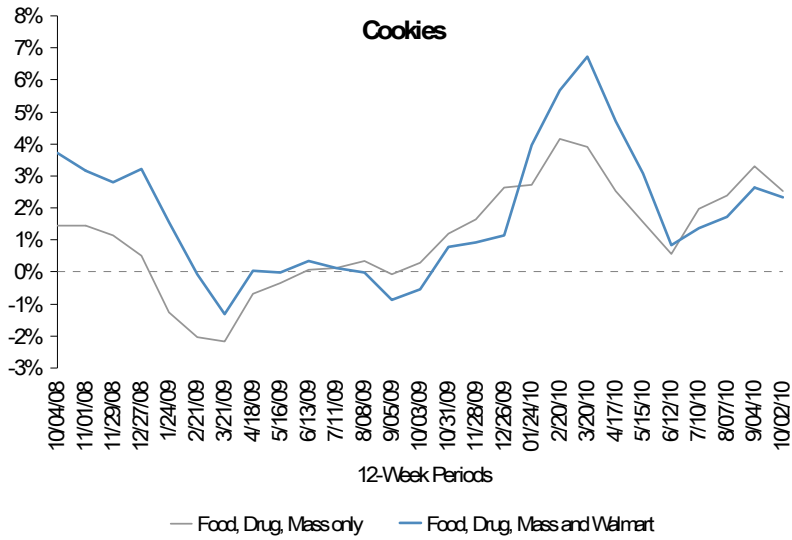
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Source: USDA.

Year-on-Year Sales Growth

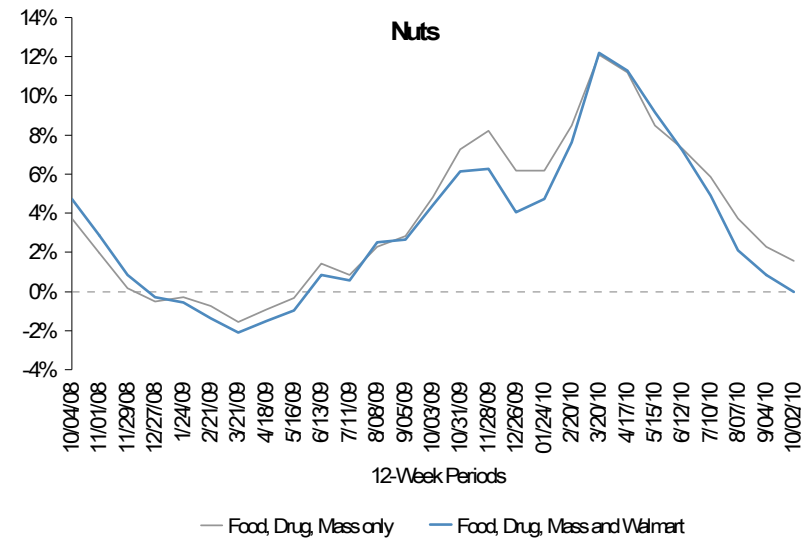
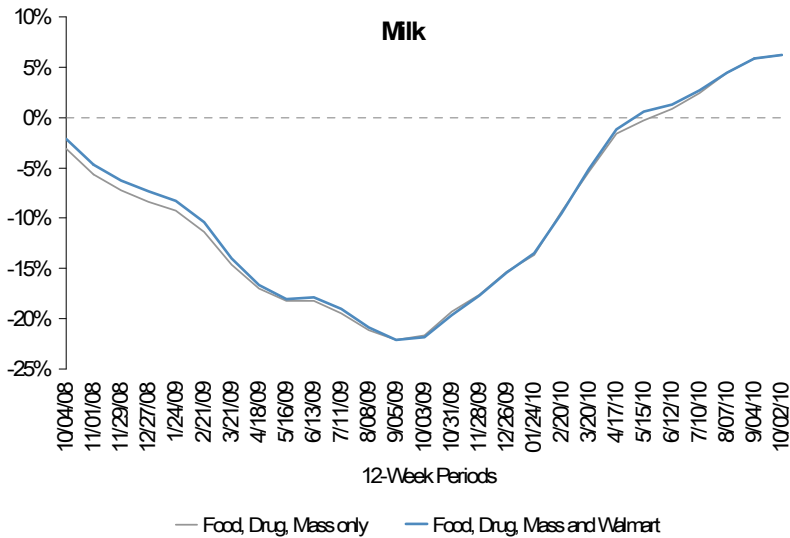
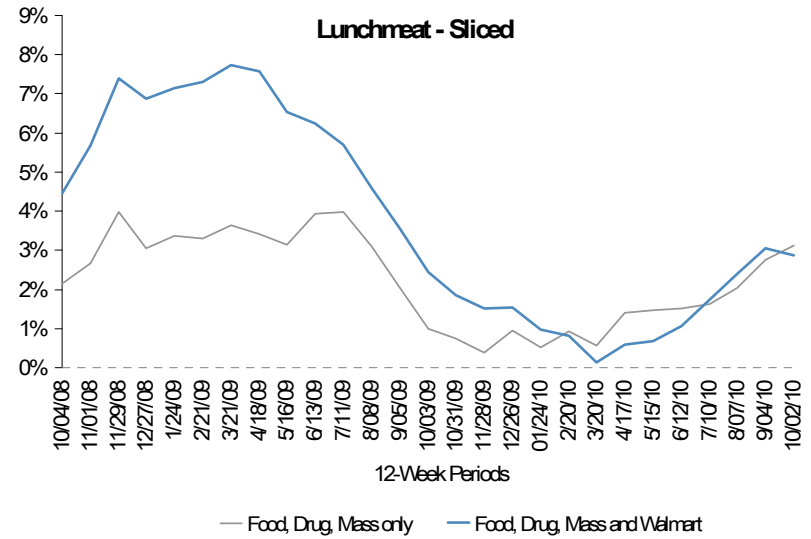
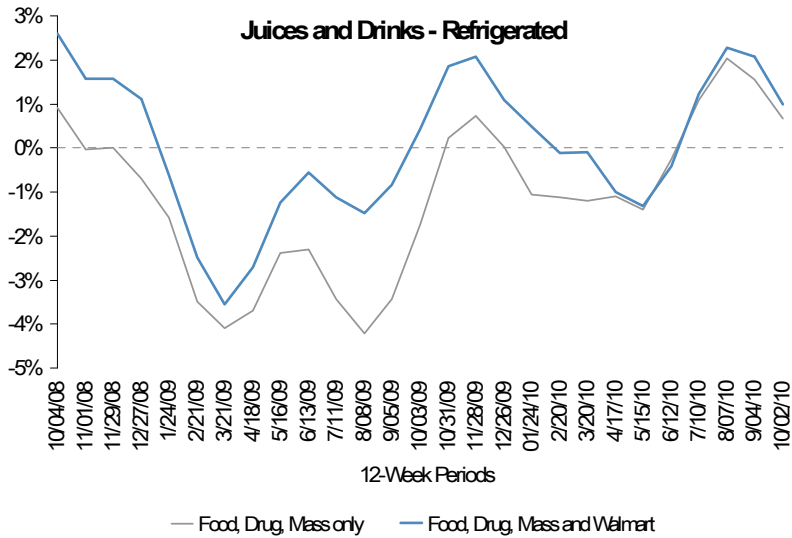
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Source: USDA.

Year-on-Year Sales Growth

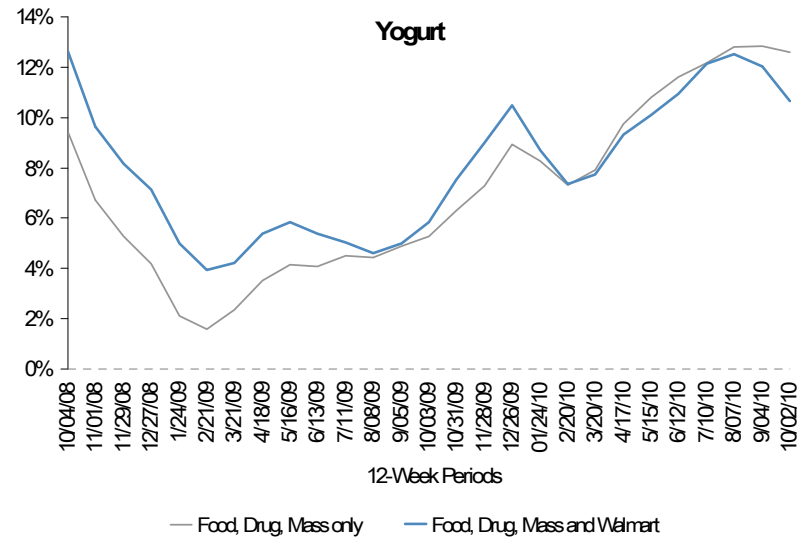
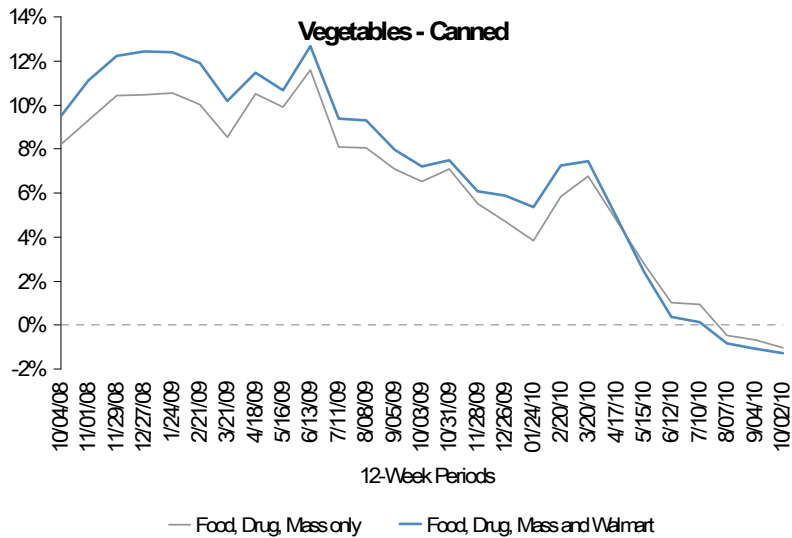
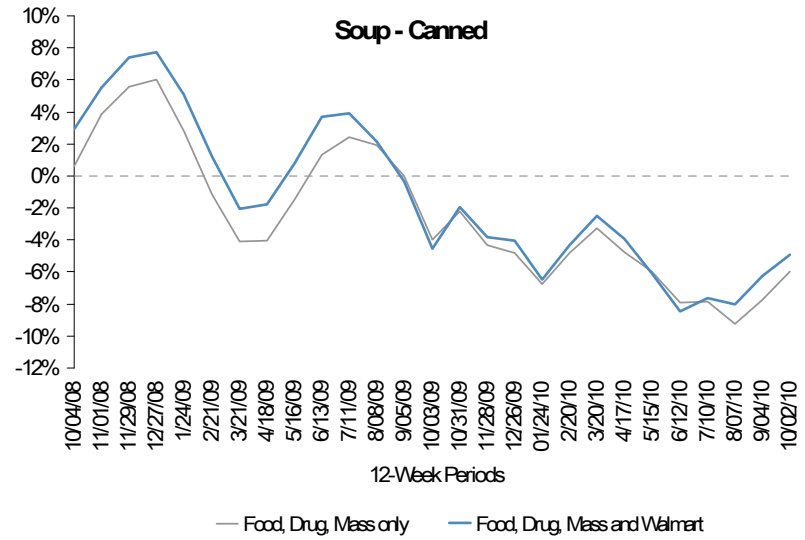
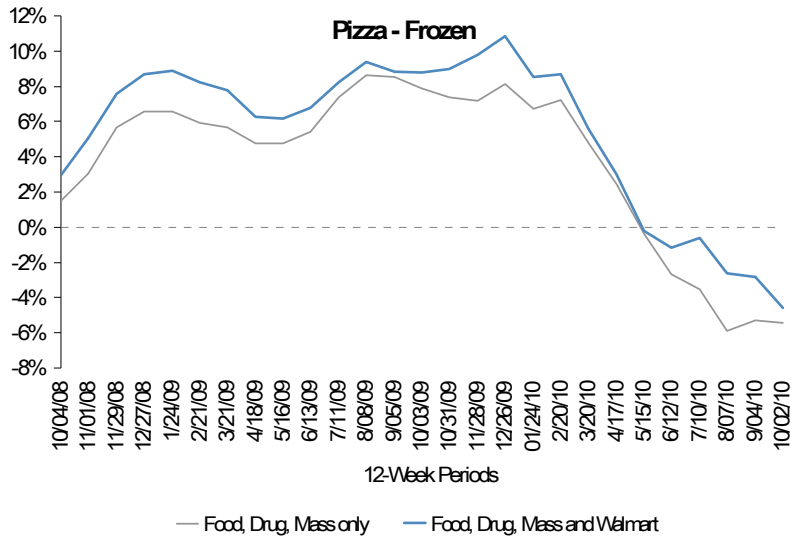
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Source: USDA.

Year-on-Year Sales Growth

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Source: USDA.

SMid-Cap Packaged Food: Stock Selection

J.M. Smucker is our top pick

- Top pick: Smucker (SJM – Overweight – \$62) for the near term
 - Inexpensive – trading 1.0x below the food average on a price-to-earnings basis. Solid cash yield.
 - Reports earnings tomorrow. We expect a beat and increase in annual EPS guidance. Coffee prices were raised prior to inflation, so margins should be good.
 - Poised to make another strong acquisition and/or buy back stock at quick pace.
 - Risk: coffee. Folgers' costs have spiked, and Maxwell House is pricing irrationally.
- We also like TreeHouse (THS – Overweight – \$49)
 - We would rather pay 16x for 20% growth (THS, including acquisitions) than 14.5x for 8% growth (food industry average).
 - Arguably the most successful management team in the industry.
 - Growing faster organically than before; retailers asking THS to enter new categories.

Protein: Stock Selection

We are very cautious on Sanderson Farms

- Sanderson Farms (SAFM – Neutral – \$41)
 - Highest exposure to corn of all protein companies we cover
 - Unhedged on feed
 - We estimate ~\$2.00 in EPS next year; more estimates need to come down
 - Exposed to higher chicken production

- Tyson (TSN – Neutral - \$15)
 - Lowest exposure to corn of all protein companies we cover
 - Hedged on feed through Dec-10
 - We estimate ~\$1.57 in EPS next year but conditions have worsened since we published that figure
 - Stock seems close to fair value

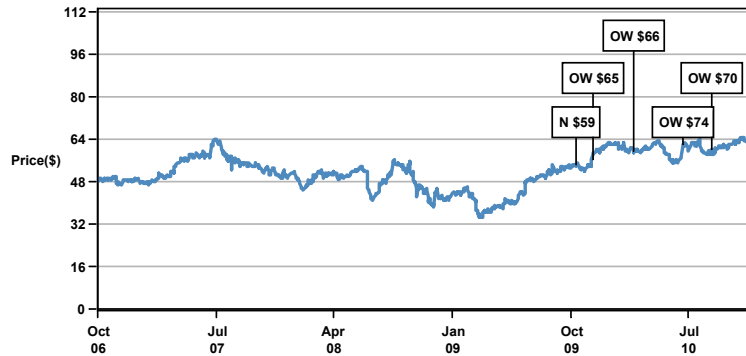
- Smithfield (SFD – Neutral– \$16)
 - Also has heavy exposure to corn
 - Hedged on corn through May-11
 - Pork processing margins outstanding lately

Disclosures

- **Companies Recommended in This Report (all prices in this report as of market close on 15 November 2010)**
- J.M. Smucker Co. (SJM/\$62.86/Overweight), Sanderson Farms, Inc. (SAFM/\$41.33/Neutral), Smithfield Foods, Inc. (SFD/\$16.54/Neutral), TreeHouse Foods Inc. (THS/\$49.52/Overweight), Tyson Foods (TSN/\$15.01/Neutral)
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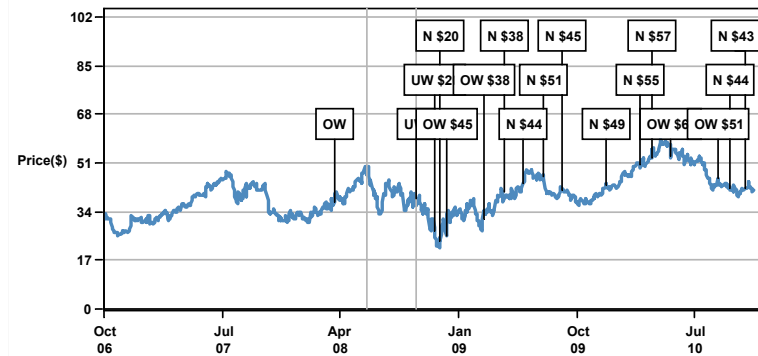
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J.M. Smucker Co. (SJM) Price Chart



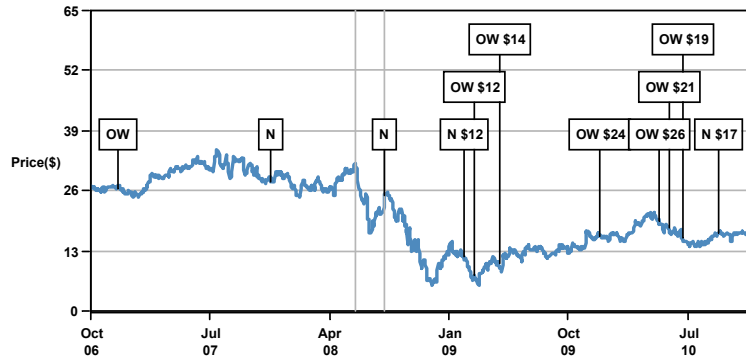
Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Initiated coverage Oct 13, 2009. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Sanderson Farms, Inc. (SAFM) Price Chart



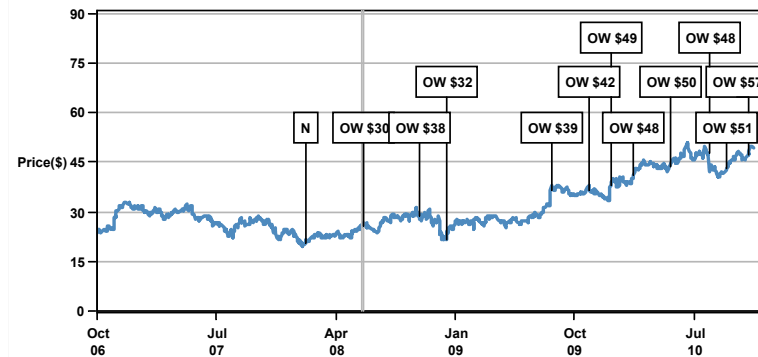
Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Break in coverage May 31, 2008 - Sep 22, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

Smithfield Foods, Inc. (SFD) Price Chart



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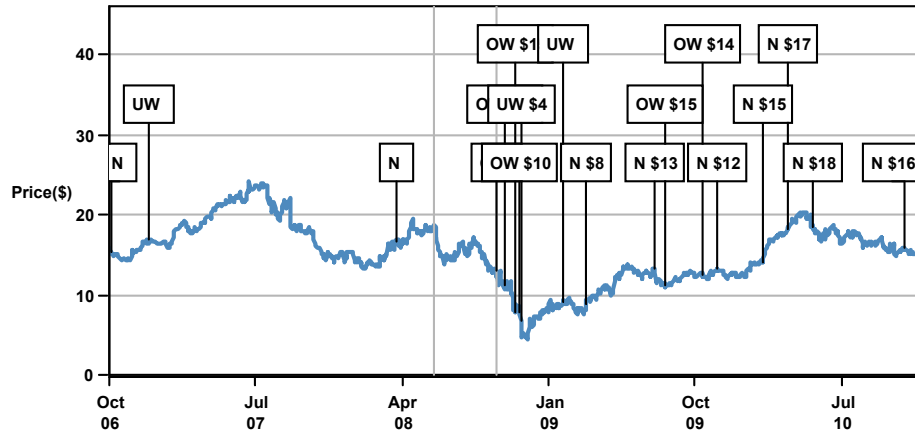
TreeHouse Foods Inc. (THS) Price Chart



Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends. Break in coverage May 31, 2008 - Jun 02, 2008. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. J.P. Morgan ratings: OW = Overweight, N = Neutral, UW = Underweight.

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Tyson Foods (TSN) Price Chart



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IB clients*	49%	45%	33%
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