



FoodPriceTruth.org

FOOD PRICES RISE AS CORPORATE PROFITS SOAR

Corporate profits at some of America's largest food companies are on the rise, and according to these food companies, it's because they have raised their prices. Additionally, all of these companies are making more money this year than they were in the same fiscal quarter of 2007.

Take Kellogg's for example, whose second quarter Q2 net earnings (30 July) were \$312 million, a 4% increase over last year's \$301 million. Kellogg's stated in their own press release that: *"Results were driven by strong execution, innovation and **price realization**, and were achieved after absorbing significant cost inflation."*

Not sure what "price realization" really means? Here is what Kellogg's said in last quarter's earnings press release: *"These results were driven by innovation, **recent price increases** and effective brand building and were achieved after absorbing significant cost inflation. ... Our business momentum, **recent price increases** and focus on productivity give us confidence we will meet our goals."*

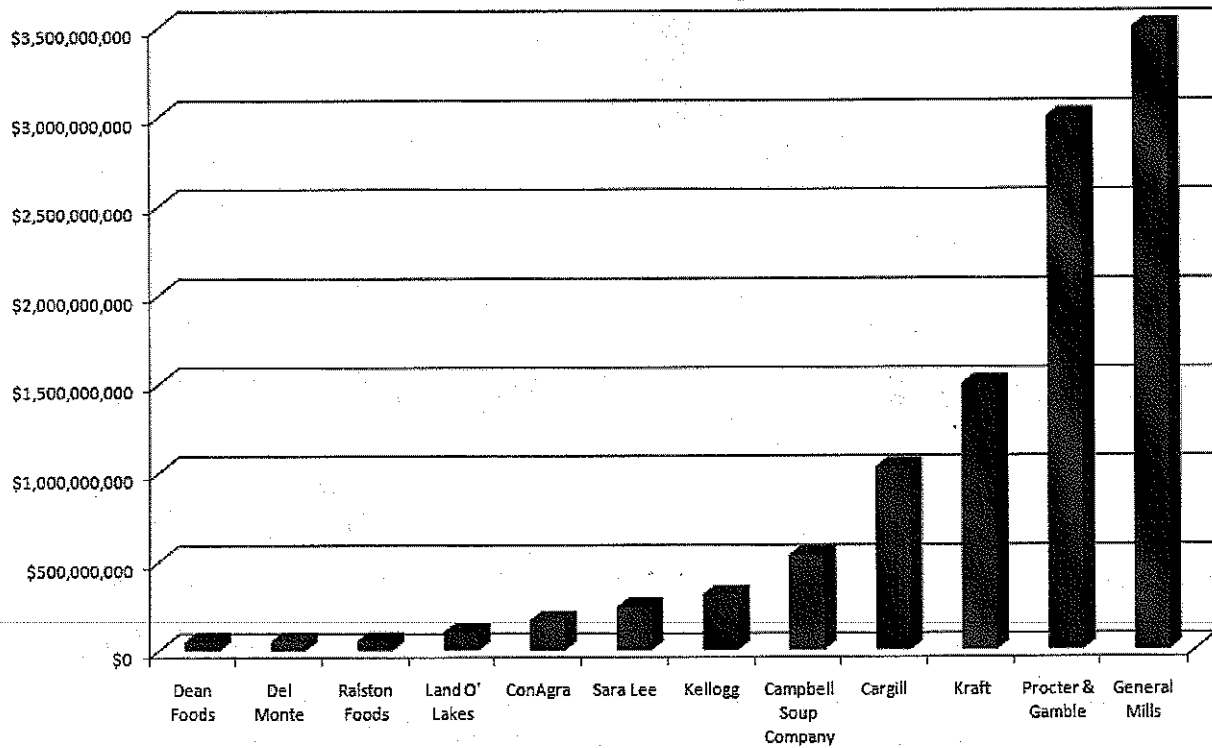
Sara Lee, earned \$242 million in the Q3 of fiscal 2008, \$150 million more than the same quarter last year—which is an increase of 61.2%—also attributed higher profits to raising their prices. From their press release announcing their Q3 profits: *"Net sales up 10.5%, driven by higher unit volumes, **price increases** and the strong euro..."*

Dean Foods, another company with a healthy Q2 net income of \$48.9 million, compared with \$28.2 million in the prior year's second quarter, stated in their press release: *"The sales increase in the quarter was due primarily to the **pass through** of higher overall dairy commodity costs to customers and higher sales volumes."*

In other words, commodity prices went up and Dean Foods passed those costs onto consumers at a level allowing them to earn 71.63% more than they did in Q2 in 2007.

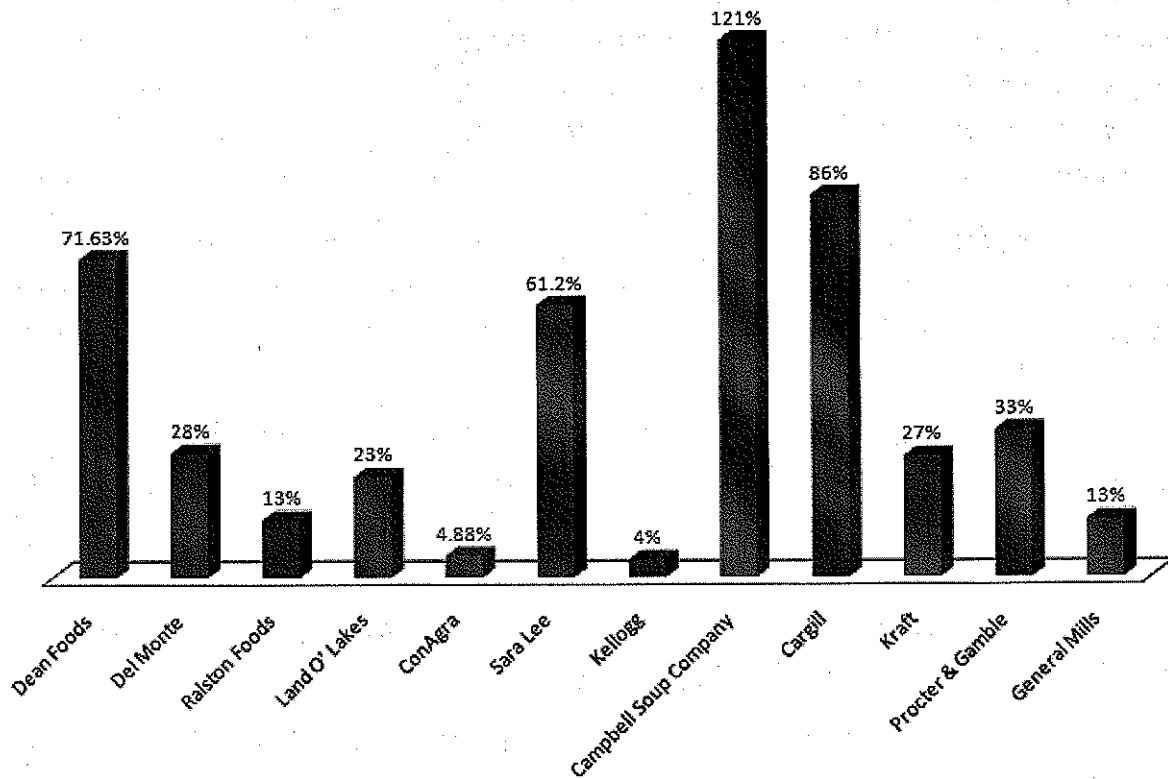
FoodPriceTruth.org, was formed to fight a smear campaign against ethanol waged by the food companies to blame biofuels for high food prices.

2008 Earnings*



*As reported between April and August, 2008

Percent Increase in Earnings Over Last Year



Here are some additional examples of GMA member companies posting healthy profits and accrediting those profits to their price increases:

- **Procter & Gamble, Q4 net earnings (5 August)**

Net earnings were up 33% for the quarter to \$3.0 billion

From their own press release: *"Net sales increased due to one percent volume growth, a **six percent pricing impact from increases in Coffee and Pet Care prices** and a four percent favorable foreign exchange impact."*

- **Kraft, Q2 net revenues (28 July)**

Reported operating income in the quarter increased 27.1 percent from the prior year to \$1.5 billion; Sales at \$11.2 billion, a 21.4% increase

From their own press release: *"Organic top-line growth was strong, **driven by pricing actions** to offset significantly higher input costs."*

- **Cargill, Q3 net earnings (14 April)**

\$1.03 billion, up 86% from \$553 million in the same period a year ago

From their own press release: *"**Prices are setting new highs** and markets are extraordinarily volatile."*

- **Campbell Soup Company, Q3 net earnings (19 May)**

\$532 million, or \$1.40/share, compared to \$217 million, or \$0.55/share in the year-ago period

From their own press release: *"Douglas R. Conant, Campbell's President and Chief Executive Officer, said, 'We delivered solid sales growth in the quarter across many of our businesses, including beverages, baking and snacking, and international. However, in U.S. soup, as anticipated, we had a difficult third quarter as we were lapping a very strong quarter a year ago and **we took significant pricing actions** to address the dramatic increases in cost inflation.'"*

- **General Mills, Q4 earnings (25 June)**

Segment operating profits of \$517 million rose 5 percent; Diluted earnings per share were up 18% from \$0.62/share reported for the fourth quarter a year ago

From their own press release: *"Net sales for the fourth quarter of 2008 increased 13 percent to \$3.5 billion. Volume contributed 3 points of sales growth, **pricing and mix added 8 points**, and foreign currency exchange accounted for 2 points of growth."*

- Kellogg, Q2 net earnings (30 July)

\$312 million, a 4% increase over last year's \$301 million.

From their own press release: *"Results were driven by strong execution, innovation and **price realization**, and were achieved after absorbing significant cost inflation."*

Special flashback to last quarter's earnings press release: *"These results were driven by innovation, **recent price increases** and effective brand building and were achieved after absorbing significant cost inflation. ... Our business momentum, **recent price increases** and focus on productivity give us confidence we will meet our goals."*

- Sara Lee, Q3 operating income (6 May)

\$242 million, compared to \$150 million in the third quarter of fiscal 2007, an increase of 61.2%

From their own press release: *"Net sales up 10.5%, driven by higher unit volumes, **price increases** and the strong euro..."*

- ConAgra, Q4 earnings (26 June)

\$167 million operating profit for the quarter; Diluted EPS from continuing operations grew from \$0.39/share in the prior year to \$0.41

From their own press release: *"This sequential improvement was **largely driven by recent price increases**."*

- Land O' Lakes, Q2 net earnings (28 July)

\$102.8 million, as compared to \$79.5 million for the second quarter of 2007

From their own press release: *"Strong markets contributed to the improved earnings in this segment, with eggs prices over the first six months averaging \$1.43 per dozen, versus \$1.01 per dozen through June of 2007. These **improved prices** were partially offset by increased feed and energy costs."*

- Ralston Foods, Q3 earnings (28 July)

Earnings before income taxes and equity earnings were \$53.5 million; Diluted earnings per share were \$1.73, up from \$.43 in last year's third quarter.

From their own press release: *"Net sales for the quarter increased 13% **as a result of both higher pricing in response to rising input costs and volume gains in most of the Company's operating segments**."*

- **Del Monte Corporation, Q4 earnings (5 June)**

\$49.8 million, or \$0.25/share from continuing operations, compared to \$36.8 million, or \$0.18/share in the previous year

From their own press release: *"Our fourth quarter results reflect the cumulative impact of programs fielded during the year to meet aggressive cost challenges," said Richard G. Welford, Chairman and CEO of Del Monte Foods. "Healthy business performance, including solid volume growth, **pricing actions** and innovation drove double-digit net sales growth. Importantly, this strong topline, combined with our productivity programs, offset significant operational cost increases in the fourth quarter. As we look to fiscal 2009, **continued execution of these pricing actions** and productivity gains combined with topline growth are key priorities, as we deal with an environment of rapidly accelerating cost increases."*

- **Dean Foods, Q2 net income (6 August)**

\$48.9 million, compared with \$28.2 million in the prior year's second quarter

From their own press release: *"DSD Dairy net sales for the second quarter were \$2.5 billion, a 9% increase from \$2.3 billion in net sales for the second quarter of 2007. **The sales increase in the quarter was due primarily to the pass through of higher overall dairy commodity costs to customers and higher sales volumes.**"*

