



News That Makes Teeth Whiter, Clothes Brighter, and Life Just Plain Better

Transaction News

As they say, beauty is in the eye of the beholder ... or at least the owner.

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- **Sara Lee** decided to split into two \$4 billion companies, rejecting bids from **JBS** and a consortium of PE firms. One new unit will focus on North American foods; the other on coffee and international bakery.
- **Foster's** will execute a "demerger" of its wine and beer businesses, spinning off the wine unit to shareholders. It's supposed to make each business more attractive, but there might not be enough lipstick.
- **Diageo** will pay \$2.1 billion for **Mey Icki**, a Turkish spirits maker whose name must translate as "My Bad" in some language. **TPG** owns them, and had explored an IPO.
- Honeywell sold their automotive CPG group to **Rank Group**, a PE firm in New Zealand. The price for *Prestone* antifreeze, *Fram* filters, and *Autolite* plugs was \$950 million.
- **SC Johnson** is paying \$328 million for **Sara Lee's** global shoe care business. It includes the *Kiwi* brand.
- Meanwhile, **Sara Lee** sold their cleaning products business in Australia and New Zealand, getting \$50 million from **Symex**.
- **Nestlé** bought **CM&D Pharma**, a UK startup. They are testing a chewing gum that treats kidney disease. Seriously.
- **Hain Celestial** bought two companies in Europe. **Danival** makes organic food products, and **GG UniqueFiber** makes all-natural high fiber crackers.
- **Reynold American** sold Lane Limited, their pipe and roll-your-own unit. **Scandinavian Tobacco Group** is paying \$205 million.
- **Windjammer** sold **S.T. Specialty Foods**, a maker of private label dinners and side dishes, to **Treehouse Foods**.
- **Campbell Soup** will own 60% of a new joint venture with **Swire Pacific**. The goal is to expand the soup business in China.
- **Coty** continued their acquisition spree. They paid \$400 million for a majority of **TJoy**, a small Chinese skincare company.
- **Philip Morris International** canceled plans to buy **Protabaco**, the #2 cigarette maker in Colombia. Regulators had finally approved the purchase, first announced in 2009, but they also attached too many conditions.
- **Swander Pace Capital** bought **Merrick Pet Care**, a maker of super-premium pet food. Our dogs love products like *Grammy's Pot Pie* and *Thanksgiving Day Dinner*.
- **Thomas H. Lee** bought **Acosta** from **AEA Investors**. While not a CPG company, they are one of the two big national brokers.

Transaction News

Continued.

- **TSG Consumer** bought part of **e.l.f. Cosmetics**, a value brand with online roots.
- **MidOcean Partners** bought most of **Freshpet**, a pet food company. **Tyson** has a minority stake in the company.
- **Sunny Delight** sold their Western Europe business to **Orangina Schweppes**. Orangina is part of **Suntory**, and Sunny D is owned by **JW Childs**.
- **Lion Capital** bought **Bumble Bee Foods** from **Centre Partners**.
- **Mason Wells** bought **Paris Presents**, a personal care and beauty products maker.
- **Roark Capital** bought **Atkins Nutrition** from **North Castle Partners**.
- **Brynwood Partners** bought the *Zest* brand from **Procter & Gamble**.
- There's a "For Sale" sign on **Brown-Forman's** wine assets, most notably *Fetzer*. They will keep *Sonoma-Cutrer* and their relationship with *Korbel*.

Courtroom Drama

Prime time TV has nothing on the CPG world.

- A Delaware judge delayed **Del Monte's** sale to **KKR, Vestar, and Centerview**. He faulted the way Barclays managed the sale process, making money on both sides of the deal.
- The **Mattel** versus **MGA Entertainment** retrial is underway, focused on who owns *Bratz*. To keep it interesting, MGA filed an antitrust lawsuit, seeking a cool \$1 billion from Mattel. Before being tripled, of course.
- **Church & Dwight** sued **Clorox** over ads that show cats refusing to use *Super Scoop* litter. Church & Dwight had an iron-clad legal argument (Sample: "Cats do not talk"), so Clorox agreed to stop running the ad.
- In the big coffee divorce, a federal judge ruled **Starbucks** can end their distribution deal with **Kraft**. An appeal has been filed.
- A UK court protected the *Play-Doh* trademark owned by **Hasbro** ... regardless of spelling. They said German toy company **123 Nahrmittel** cannot describe *Yummy Dough* as "the edible play dough."
- A federal judge threw out a suit against **Coca-Cola**, filed by grandkids of the guy who invented *Barq's* root beer. It turns out he sold his ownership long ago.
- **Tyson** agreed to pay a \$5 million fine because chicken plants paid bribes to Mexican inspectors. The big error was not ending payouts when they came to light.
- **Bacardi** agreed to keep making rum in Puerto Rico for at least 20 years, in exchange for a \$95 million government grant. The deal came after **Diageo** moved *Captain Morgan* production to St. Croix.
- Speaking of rum, Spain's supreme court ruled in favor of **Pernod Ricard** (and Cuba). They decided the *Havana Club* trademark does not belong to **Bacardi**. Pernod sells the brand in 124 countries, with US trademark rights still in dispute.
- UK ad regulators told **Coca-Cola** to stop saying *Vitaminwater* is "delicious and nutritious." They admit it tastes good, but believe it has too much sugar.
- What if the FDA wanted to eliminate products generating 90% of your sales? That's why **Lorillard** is taking urgent action before a March report that could call for a ban on menthol cigarettes like *Newport*.
- Canada will require graphic warnings to cover **75% of cigarette packaging**. That's up from 50% today.

Courtroom Drama

Continued.

- **Dannon** agreed not to claim that *Activia* yogurt relieves irregularity and *DanActive* drinks prevent colds and flu. The company will pay \$21 million to 39 state attorneys.
- **Dean Foods** will pay \$30 million to settle an antitrust lawsuit filed by Vermont dairy farmers. Dean will also buy their milk.
- **PepsiCo** was attacked by the National Eating Disorders Association, which dislikes marketing of *Diet Pepsi's* new "skinny can". Especially because it was once fat.
- An Italian court convicted **Parmalat's** founder of fraud, after the company's 2003 collapse. **Calisto Tanzi** was sentenced to 18 years in prison.
- **Center for Science in the Public Interest** is ranting again. Now they want to ban caramel coloring in soft drinks, saying it caused cancer in lab rats. It would affect some minor brands like *Coke* and *Pepsi*.

People News

All the moves fit to print.

CEOs

- **Tom Bowles** joined **Enesco**, the giftware and home decor company, as CEO. He was at **Berkshire Blanket**, **Decorative Concepts**, and **Russ Berrie**.
 - **John Replogle** is joining **Seventh Generation**, the eco-friendly home products company, as CEO. He was at **Burt's Bees**, **Unilever**, **Diageo**, and **BCG**.
 - **Steve Van Tassel** is joining **Weetabix** as CEO of the North American unit. He was at **Post/Ralcorp**, **Kraft**, **International Home Foods**, **ConAgra**, and **General Mills**.
 - **Randy Zeno** joined **Dr. Miracle's**, the maker of ethnic personal care products, as CEO. His experience includes **Alcoa**, **Birds Eye**, **Sara Lee**, **International Home Foods**, **Nabisco**, and **Cadbury**.
 - **Claudia Poccia** joined **Gurwitch Products**, the maker of prestige cosmetics like *Laura Mercier*. She was at **Avon** and **Estee Lauder**.
 - **Richard Thompson** joined **Freshpet** as CEO. He ran **Meow Mix** previously.
 - **Neil Harrison** will become **Del Monte's** interim CEO when they are acquired by PE firms. He advises **Veststar**, an acquirer, and most recently ran **Birds Eye** for them.
- Other moves failed to utilize a highly-skilled executive recruiter ... or our competitors:*
- **Kellogg** named **John Bryant** as CEO, stepping up from COO. He succeeds the retiring **David Mackay**.
 - **Sara Lee** named **Marcel Smits** as CEO, and he will run the coffee business after the company splits. **CJ Fraleigh** will be CEO of the North American food business.
 - **Paris Presents** promoted **Leah Bailey** to CEO. She was the COO.
 - **JBS**, the huge Brazilian meat company, named **Wesley Batista** as CEO. He replaces his brother, **Joiesley Batista**, who will be the chairman.
 - **Jarden** promoted **Jim Lillie** to CEO, effective in May. **Martin Franklin** will stay as chairman.
 - **Moët Hennessy USA** promoted **Jim Clerkin** to CEO. He was the COO, with earlier work at **Beam Global**, **Allied Domecq**, and **Diageo/Guinness**.

People News

Presidents and GM's

Continued.

- **David Yale** joined **Just Born**, the jelly bean company, as president and COO. His experience includes **Manischewitz, Hain Celestial, Kraft, Labatt, and Nestlé.**
- **Don Blaustein** is joining **Gloria Jean's Coffee** as COO of the US business. He was at **Heineken.**
- **Helena Wong** joined Rosetta Stone as president of international. Her CPG roots include **Esselte, PepsiCo, and P&G.**
- **Rob Christian** joined Clear Cell, a shopper analytics company, as president of US operations. He was at IRI, with CPG roots at **J&J, Dannon, Alberto-Culver and P&G.**

■ **John Lennon** (no, not that John Lennon) joined **Xyience** as president. They make **Xenergy**, the official energy drink of UFC mixed martial arts. His beverage roles include **Pabst, Beck's, and Guinness.**

■ **Jeff Cohen** joined **Meda Pharmaceuticals**, the US arm of a Swedish specialty pharma company, as general manager. He was at **Ciba Vision, Nabisco, and J&J.**

■ In an internal move, **McCormick** named **Paul Beard** as president of Asia Pacific. He has been at the company for 28 years.

Sales and Marketing

■ **Lesya Lysyj** joined **Heineken USA** as CMO. She was at **Kraft and Cadbury Schweppes.**

■ **Gary Pinkowski** joined **Post Foods** as VP of sales. His career includes **Campbell, Novartis, Nabisco, and Frito-Lay.**

■ **Andy Horrow** joined **Mike's Hard** as CMO. He was at **PepsiCo.**

■ **Dave Kimbell** joined US Cellular as VP of marketing. He was at **Seventh Generation, PepsiCo, and P&G.**

■ **Dustin Cohn** joined **Jockey International** as CMO. He was at **Optimer Brands**, a textile company, and at **PepsiCo.**

■ **Rick Cipriani** joined **Q Tonic** as VP of sales for the premium tonic water company. He was at a **Red Bull** distributor.

■ **Bob Howard** joined Schnuck Markets as VP of marketing. His CPG work includes **Chiquita, Kellogg, Tyson, and Kraft.**

■ **Michele Kessler** joined Univision, the Spanish language media company, as SVP of client development. She was at **Mars, Kraft, Nabisco, and P&G.**

■ **Mark Greatrex** is joining Cox Communications as CMO. He was at **Coca-Cola, AOL, and Unilever.**

Some moves failed to support the vital headhunter sector of our economy.

■ **Smart Balance** promoted **Terry Schulke** to EVP of sales and marketing. He ran sales, where he is succeeded by **Ken Messick.** Meanwhile, **John Becker** joined as VP of marketing, coming from **Breyers Yogurt, Nestlé, and General Mills.**

■ **McCormick** promoted **Rick Morse** to VP of global customers. They also promoted **Ed Landry** to VP, consumer sales.

■ **Diageo** named **Sean Penn** as VP of western sales for their wine group. Apparently, he has some free time before his next movie.

People News

Other Functions

Continued.

- **Janet Brady** joined **Central Garden & Pet** as SVP of HR. She was in a similar role at **Clorox** until 2003.
- **John Berisford** joined McGraw-Hill as EVP of HR. He was at **Pepsi Bottling Group**.
- **Ron Lombardi** joined **Prestige Brands** as CFO. Among other places, he was at **Cannondale Bike**.
- **Nathan Fagre** joined **Spectrum Brands** as general counsel, from Value Vision Media.
- **Monique Jacobson** was nominated to run tourism in New Mexico. We care because she was a marketing director at **PepsiCo**.
- **Michael Feiner** is joining **Irving Place Capital** as a senior advisor for human capital. He ran **PepsiCo**'s powerhouse HR group for many years.

■ **Charlotte Otto** joined Weber Shandwick, the PR firm, as a senior advisor. She was responsible for external relations at **P&G**.

■ Soon there will be a new assistant taster at **Green & Black's**, a UK chocolate company owned by **Kraft**. There were 3,000 job applications, but we hope ours stands out.

Blah, blah, blah about promotions from within:

- **Hasbro** promoted **Barbara Finigan** to chief legal officer. She has been there 19 years.
- **Dean Foods** promoted **Scott Vopni** to chief accounting officer.
- **Molson Coors** appointed **Bill Waters** as chief strategy officer. He has been with the company for 20 years.

Board of Directors

- **Meg Whitman** returned to **P&G**'s board, after resigning in 2008. Apparently she is done with that whole "run for governor" thing, which cost her a cool \$144 million.
- **Howard Buffett** joined **Coca-Cola**'s board. He is the oldest son of **Warren Buffett**, who left the company's board in 2006.
- **Evan Greenberg** also joined **Coca-Cola**'s board. He runs ACE, an insurance leader.
- **Joyce Roche** joined **Dr Pepper Snapple**'s board. She was the CEO of Girls Inc.

■ **Celeste Clark** joined the **Mead Johnson** board. She runs PR and sustainability at **Kellogg**.

■ **Larry Benjamin** joined the Liz Claiborne board. He ran Ahold USA, but his CPG roots include **NutraSweet**, **Stella Foods**, and **Kraft**.

■ **Daryl Brewster** joined the board of **Freshpet**. His CPG roots include **Nabisco** and **Campbell Soup**.

■ **Tim Spring** joined the **Vasaan Foods** board as chairman. He was most recently the CEO of **Marcal Paper**.

People News

Obituaries

Continued.

- **Don Tyson** died at 80. As the son of **Tyson's** founder – and the company's CEO for 24 years – he revolutionized the poultry business. And America's diet, too.
- We missed the sad news that **Ross Love** died at 64. He mentored many of us at **P&G**, where he became VP of advertising. He then built the #2 group of black-owned radio stations in the country.

- We also missed **Morrie Yohai's** death at 90. As president of **Old London Foods**, he launched *Cheez Doodles* in the late 1950s.
- **Patty Bogle** died at 59. She founded **Bogle Vineyards** in 1979 with her husband. They built it into the #14 winery in the country.
- **Karen Sortito** died at 49. She was a movie marketer known for product tie-ins, such as having James Bond drink *Smirnoff*.

Marketing and Strategy

Priming the pump for growth.

- A radio show on NPR claimed to have found the secret recipe for **Coca-Cola's** flagship brand. The on-air report included the formula for “Merchandise 7X”, the secret ingredient known to only two people.
- The GMA and FMI introduced *Nutrition Keys*, a **voluntary nutrition labeling** program with package icons to list calories, saturated fat, sodium, and sugars. It replaces the short-lived *Smart Choices*, which the FDA viewed as misleading.
- **Green Mountain Coffee** signed a deal to make **Dunkin' Donuts** coffee available for single-serve *Keurig* machines. For now, **Starbucks** is focused only on the hotel room single-serve market.
- You may have seen the **recent advertising showcase**, interrupted occasionally by football. *USA Today* says two CPG ads tied for #1: “Dog Party” for *Bud Light*, and “Pug Attack” for *Doritos*. Other CPG ads were from **Anheuser-Busch** (*Bud Light*, *Bud*, and *Stella Artois*), **Coca-Cola**, and **Mars** (*Snickers*).

- Voting for the NFL's defensive player of the year had a CPG theme. **Troy Polamalu** (endorser of **P&G's** *Head & Shoulders*) beat **Clay Matthews** (endorser of **Unilever's** *Suave*).
- **Coca-Cola** announced that *Minute Maid Pulpy* is their 14th brand with sales of \$1 billion. It certainly has the cutest name.
- A brewery in Mexico called **Minerva** has launched a new beer called *Purple Hand*. It is targeted exclusively to gay consumers.
- **J&J** was back in negative marketing mode, recalling 13 million packages of *Roloids* soft chews in December. It was their umpteenth recall of 2010.
- **Talk about strong incentives.** If they hit their annual sales goal, the **Just Born** (*Peeps*, etc.) sales team was promised a trip to Hawaii. They didn't hit the number, so they got a trip to North Dakota.

Free Thoughts

*Unimportant utterings
that are universally useless
and usually unbelievable.*

- We read that the newly-updated manual for psychiatrists is dropping **narcissism** as a personality disorder. Too bad the article wasn't about me.
- Believe it or not, there's a book called *Badass LEGO Guns*. It has 240 pages telling you how to build guns using **LEGO** bricks and rubber bands. One assault rifle fires 30 bricks in just a few seconds.
- The USDA's **new dietary guidelines** are clearly worth a toast. Along with the usual stuff (eat less, reduce fat, yada yada) up to two drinks a day can help you live longer and reduce dementia. That's right: research says drinking is actually good for you.
- *Fortune* released their annual "**100 best companies to work for**" list. CPG honorees are **General Mills** (#58), **Hasbro** (#59), **Mattel** (#69), **SC Johnson** (#70), and **Smucker** (#94). Everyone else needs a great recruiter.
- Barbie and Ken reunited on Valentine's Day, seven years after ending a 43-year relationship. If you want to send a gift, her full name is **Barbara Millicent Roberts** ... and his is **Kenneth Carson**. But maybe we care a bit too much about this CPG stuff.
- A WSJ article mentioned a group on Facebook called "I Secretly Want to Punch Slow Walking People in the Back of the Head". There are 15,000 members ... but we are making it 15,001.
- A new book, *Everyone's a Winner*, explores today's **congratulatory culture**, where every person is above average and deserves a prize. The author's name, appropriately enough, is Joel **Best**.
- UC Davis is proud to be the only college where you can **major in beer** (or brewing science, to use their fancy-pants name). Apparently we went to school with guys who were way ahead of their time.
- We rarely report social news, but the son of **Ralph Lauren** has proposed to Lauren Bush, granddaughter of the 41st president. Her name will become **Lauren Lauren**.

Quarterly Earnings

Generally good numbers, but there is concern about the impact of commodity costs in 2011.

Company	Earnings	Sales	Comments/Explanation
Alberto-Culver	+ 30%	+ 12%	US sales grew 3%; international was up 25%.
Altria	+ 27%	+ 1%	Cost cutting and higher prices offset volume decline.
Avon	- 15%	+ 1%	Disappointed, hurt by troubles in Brazil and Russia.
Brown-Forman	+ 5%	+ 1%	Above expectations, driven by international sales.
Campbell Soup	- 8%	- 1%	Soup revenue slipped, and the outlook was lowered.
Church & Dwight	- 12%	- 2%	Below expectations, with international a strong point.
Clorox	- 81%	- 3%	They took a big goodwill charge for Burt's Bees.
Coca-Cola	Tripled	+ 40%	Buying CCE's North America unit produced a \$5B gain.
Coca-Cola Enterprises	+ 7%	+ 12%	All the business is now outside North America.
Colgate-Palmolive	- 1%	- 3%	Results depressed by currency rates and higher costs.
ConAgra	- 16%	+ 2%	Hurt by commodity costs and less effective promotion.
Danone **	+ 38%	+ 14%	Helped by an acquisition in Russia.
Dean Foods	\$ 21M loss	+ 5%	Above expectations as the dairy industry stabilizes.
Diageo *	+ 2%	+ 2%	Below expectations, especially in Europe.
Diamond Foods	- 5%	+ 40%	Above expectations, and they raised their outlook.
Dr Pepper Snapple	- 2%	+ 4%	Above expectations, as volume and pricing offset costs.
Energiizer	- 12%	Flat	They are struggling with costs and lower battery prices.
Estee Lauder	+ 34%	+ 10%	There's optimism that women shoppers are back.
Flowers Foods	+ 3%	- 1%	Below expectations, and they lowered their outlook.
Foster's Group *	- 12%	- 7%	For once, the wine business was stronger than beer.
General Mills	+ 9%	+ 1%	Below expectations due to commodity costs.
Green Mountain Coffee	- 78%	+ 67%	Above expectations: profit doubled without one-timers.
Hain Celestial	+ 45%	+ 21%	Above expectations with strong food and personal care.
Hasbro	- 16%	- 7%	Above expectations, but board games were weak.
Heineken **	+ 41%	+ 10%	Cost cuts and Femsac acquisition offset soft Europe.
Hershey	+ 7%	+ 5%	They've been on a roll lately.
Hormel	+ 34%	+ 11%	Above expectations, and they raised their outlook.
J&J Snack Foods	Flat	+ 4%	The makers of <i>Icee</i> were hurt by higher expenses.
Kellogg	+ 7%	- 1%	After a tough 2010, they feel better about 2011.
Kodak	- 92%	- 25%	Without one-timers, they lost \$100 million.
Kraft	- 24%	+ 30%	Costs to buy Cadbury hurt profit, but helped sales.
L'Oreal **	+ 25%	+ 12%	Europe and US strengthened, like emerging markets.
Lorillard	+ 7%	+ 9%	Above expectations, growing while industry declined.
Mattel	- 1%	+ 9%	Above expectations, with US sales up 11%.
McCormick	+ 15%	+ 6%	Above expectations, led by cost cutting efforts.
Mead Johnson	+ 56%	+ 13%	Good in Asia and Latin America, but 2011 outlook soft.
MillerCoors	+ 41%	Flat	Helped by pricing, brand mix, and cost management.
Molson Coors	- 51%	+ 2%	They sold less beer and had higher costs.
Nestlé**	Tripled	+ 2%	Big gain from Alcon sale; organic sales were up 6%.
Pee't's Coffee	- 38%	Flat	Profit was flat without year-ago benefits.
PepsiCo	- 4%	+ 37%	Above expectations, but forecast was lowered.
Philip Morris Int'l	+ 15%	+ 5%	They sold more cigarettes at higher prices.
Pilgrim's Pride	+ 24%	+ 13%	Demand picked up in retail and foodservice channels.
Procter & Gamble	- 28%	+ 2%	Disappointed, but profit up 10% without one-timers.
Ralcorp	+ 6%	+ 18%	Results were helped by four acquisitions.
Reckitt Benckiser	- 8%	+ 10%	Without one-timers, profit grew 16%.
Revlon	+++	+ 7%	Even without tax one-timers, profit tripled.
Reynolds American	+ 43%	+ 1%	Higher prices offset lower cigarette volume.
Sanderson Farms	Doubled	+ 13%	Above expectations, helped by higher chicken prices.
Sara Lee	Doubled	Flat	Without one-timers, earnings fell 11%.
Smithfield Foods	\$0.1B prof	+ 15%	Above expectations, helped by higher pork demand.
Smucker	- 3%	+ 9%	Above expectations, helped by coffee pricing.
Tyson Foods	+ 86%	+ 15%	Nice recovery from meat's cost and demand issues.
Unilever	+ 15%	+ 12%	Emerging markets offset raw material costs.

* Six-month results.

** 12-month results.