



The Consumer

Biz Buzz

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

Transaction News

One person's trash
...yada, yada.

The Consumer Biz Buzz

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As a spectator sport, it doesn't get better than **InBev's** pursuit of **Anheuser-Busch**. It was ugly for a while, with InBev trying to oust the entire board...and A-B suing over an "illegal plan and scheme". Ultimately, \$52 billion smoothed things over. But apparently there was no money left for a naming consultant, so they'll just use **Anheuser-Busch InBev**.

While all this was going on, **Anheuser-Busch** bought out their JV partner in India. They are acquiring the other half of **Crown Beers India**.

SABMiller bought **CJSC Sarmat**, a Ukrainian brewer, to enter a fast-growing beer market. Meanwhile, they will pay \$69 million for **Vladpivo**, a Russian brewer near Vladivostok. (Note to self: say it confidently, and readers will assume you know where that is.)

J.M. Smucker is buying the jams and jellies of *Knott's Berry Farm* from **ConAgra**. Sales are about \$40 million.

In a bigger deal, **Smucker** is paying \$3 billion to **P&G** for *Folgers*, doubling their sales. It is technically a "reverse Morris Trust" deal to avoid \$1 billion in taxes. That is, P&G spins off a new company, which Smucker buys with stock. P&G shareholders then own 53% of Smucker...but not voting control. Clear?

Constellation Brands sold eight high-end wine brands for \$209 million to **Ascentia Wine Estates**, a new company. The most significant are *Geysler Peak* and *Buena Vista*.

Campbell Soup bought *Wolfgang Puck* soups from **Country Gourmet Foods**. Sales are \$22 million, so it's tiny in their portfolio.

General Mills bought **Humm Foods**, a small maker of organic snacks. The brands are *Lärabar* bars and *Jöcalat* chocolate. (Note to self: could we charge more as *Hërbert Mïnes Assöciates?*)

Tyson will sell their Canadian beef processing unit to **XL Foods** for \$105 million. It is part of focusing on Asia, Mexico and South America. Tyson also sold some regional New England brands to **Kayem**, a small meat processor.

Meanwhile, **Tyson** bought 51% of **Godrej Foods**, an Indian poultry producer. The new JV, imaginatively called **Godrej Tyson Foods**, will have sales of about \$50 million.

Heinz will buy **Benedicta**, a French maker of sauces, mayonnaise, and salad dressings. Sales are about \$90 million.

Smithfield Foods made two moves as their shares hit a five-year low. They will sell 5% of the company to **COFCO**, the largest food trader and processor in China. They will also sell their European business to a Spanish firm.

Del Monte Foods is selling their *Starkist* tuna business to **Dongwon**, a Korean company, for \$363 million.

Kellogg bought the assets of **Zhenghang**, a Chinese maker of cookies and crackers. It will help drive growth in China.

Church & Dwight bought the healthcare part of Del Labs (primarily the *Orajel* brand) from **Coty** for \$380 million. Coty kept the beauty part, which is mostly *Sally Hansen*.

Transaction News

Continued.

Salton agreed to pay \$693 million for the pet unit (*Tetra*, etc.) of **Spectrum Brands**. Salton makes small appliances like *Toastmaster*, so we had no clue about the strategic fit. But Spectrum's lenders blocked the deal anyway.

Mikasa was acquired by **Lifetime Brands**, the maker of *Farberware* and *Pfaltzgraff*.

Two craft brewers combined, with **Magic Hat** buying **Pyramid Brewing** for \$26 million.

In case you missed the *For Sale* signs, **Castle Brands** will "evaluate prospective transactions" with investment bankers. The company imports and markets a number of spirits brands.

In the world of private equity transactions...

Encore Consumer Capital and **Sherbrooke Capital** bought **Ciao Bella**, the premium sorbet and ice cream company.

Milestone Partners sold **EB Brands**, the maker of gifts and accessories, to **Cortec Group**.

CapMan is buying **Cederroth**, the Swedish beauty care subsidiary of **Alberto-Culver**.

Swander Pace invested in **Renew Life Formulas**, the maker of digestive health supplements. Ditto with **Lavo**, the #1 Canadian maker of eco-friendly detergents and cleaners.

Court Fights & Slap Fights

Remember, lawyers are people too.

A district judge gave class action status to a lawsuit against **Kraft**. It claims employees at an *Oscar Mayer* plant should be paid for putting on safety equipment. Meanwhile, **Sanderson Farms** settled a similar suit for \$260 million, or \$312 per employee.

Loyal readers know **J&J** sued the American Red Cross over the symbol they have shared since 1895. The case has become a PR and legal disaster, with a judge dismissing most of it.

The Supreme Court rejected a smoker's suit about the 1998 tobacco settlement... you know, the one generating \$200 billion over 25 years. The suit's tortured logic: since companies like **RJR** and **Philip Morris** would pay more if they grew market share, they just raised prices in tandem.

Germany's antitrust czar is imposing fines of \$16 million on beauty companies for collusion and price-fixing. They include subsidiaries of **Chanel**, **Clarins**, **Coty**, **Estee Lauder**, **LVMH**, **L'Oreal**, **Shiseido**, and **YSL Beaute**.

Home court advantage has a whole new meaning. The 80 lawsuits alleging chocolate price fixing were consolidated in Harrisburg. That is just 10 miles from **Hershey** headquarters.

Coca-Cola will pay \$138 million to settle a shareholder lawsuit. It claimed executives inflated the stock price in 1999 and 2000 by omitting or misrepresenting key facts about the business.

Can you say deep pockets? **Anheuser-Busch** and their distributor will pay \$21 million to settle suits from a 2003 nightclub fire that killed 100 at a Great White concert in Rhode Island. It was a tragedy, but the *Budweiser* promotion did not cause the band to set off fireworks indoors.

Meanwhile, **Anheuser-Busch** settled with 11 states, and will remove the caffeine from *Tilt* and *Bud Extra*. The concern: marketing efforts ("You can sleep when you're 30") may appeal to minors. **SABMiller** is under scrutiny now.

Ignoring the "if it quacks like a duck" legal argument, the British high court ruled that *Pringles* is not a potato snack. The decision saves **P&G** millions in value-added taxes.

Court Fights & Slap Fights

Continued.

Coca-Cola's famous "contour bottle" is now a registered trademark in Japan. It already has that protection in the US, Russia, Great Britain, and China. Meanwhile, Coke is launching a 2-liter contoured bottle.

Kraft recalled 12,553 cases of *Mixed Berry Crunch* cereal, since the boxes may contain nuts. Meanwhile, the EPA told **Scotts Miracle-Gro** to stop selling an *Ortho* insecticide with a labeling error.

Pink Slips & Hard Times

At the personal level, the employment rate is either 100%...or it is 0%.

Anheuser-Busch decided to save \$1 billion as they fought **InBev's** takeover bid. They are cutting pensions, health benefits, and 1,000 salaried jobs.

Diageo will close two Irish breweries and cut 250 jobs, moving production to a high-tech plant. On the upside, they will put \$18 million into a *Smirnoff* plant in Illinois. They will also build a *Captain Morgan* distillery in St. Croix.

Heinz is closing a plant in Dallas, cutting 200 jobs. But they are adding 350 jobs as they build a frozen foods plant in South Carolina.

Some chickens in Arkansas got the ultimate pink slip. **Tyson** had to kill 15,000 of them when tests showed exposure to bird flu. Then again, their plant visit probably wasn't going to turn out all that great anyway.

Meanwhile, the news was better for chickens in North Carolina. **Sanderson Farms** canceled plans to build a 1,500-job processing plant there, blaming rising costs for corn and soybean meal.

People News

In case you're keeping score at home.

CEO's

Mark Sarvary joined **Tempur-Pedic** as CEO. He was at **Campbell Soup**, with earlier roles at **J. Crew** and **Nestle**.

Mark Shook joined **Innovative Brands** (*Pert Plus, Sure*, etc.) as CEO. He was at **Dial**.

Tim Spring joined **Marcal**, the paper company, as CEO. His background includes **Reckitt**, **J&J**, and **Pinnacle Foods**.

Brent Willis was named CEO of two medical device firms in Florida. He was at **Cott**, **InBev**, **Coca-Cola**, and **Kraft**.

Scott Klein joined **Idearc** as CEO. He ran **IRI**, with early stints at **P&G** and **PepsiCo**.

Gil Cassagne joined **Reddy Ice** as CEO. He ran the beverage business for **Cadbury Schweppes**.

Paul Nardone joined **Immaculate Baking** as CEO. He was at **Stirrings** and **Annie's Homegrown**.

Jeff Dunn joined **Bolthouse Farms** (the #1 carrot company) as CEO. He was at **Ubiquity Brands**, and earlier at **Coca-Cola**.

Larry Zigerelli joined **Duckwall-ALCO Stores** as CEO. He started at **P&G**, but moved into retail at **CVS**, **Meijer**, and **Levitz**.

Elio Leoni-Sceti joined **EMI**, the #4 music label, as CEO. It is noteworthy because his last 16 years have been at **Reckitt Benckiser**.

People News

CEO's continued

Continued. Several internal moves neglected to support their friendly neighborhood headhunters.

Brian Goldner was promoted from COO to CEO at **Hasbro**. He was at **Bandai** earlier.

Leo Kiely moved from CEO of **Molson Coors** to CEO of **MillerCoors**, the new US-focused joint venture with **SABMiller**. The president will be **Tom Long**, who was CEO of **Miller Brewing**. Kiely is replaced by **Peter Swinburn**.

Paul Duffy was named CEO of **Pernod Ricard USA**. He succeeds **Alain Barbet**, who was promoted to run the Americas.

Terry McDaniel was promoted from COO to CEO at **Inventure Group**. They make snacks and were known as **Poore Brothers**.

Steve Jones was named permanent CEO of **Jones Soda** (no relation). He had been the interim CEO since January, and on the board since 2006. He was once CMO of **Coca-Cola**.

Presidents and General Managers

Bob Baird joined **Dorel** to run their recreation and leisure business, with bike brands like *Cannondale*, *Schwinn*, and *Mongoose*. He was at **Philips**, **Samsonite**, **Scott Paper**, **Bristol-Myers**, and **P&G**.

Bob Bernstock joined the US Postal Service as president of shipping and mailing services. Believe it or not, that's a \$70 billion business. He was at **Scotts**, **Dial**, **Vlasic**, **Campbell Soup**, and **General Foods**.

Paul Murphy joined **Nice-Pak** to run the North American business. He was at **Ubiquity Brands**, **Revlon**, and **Coca-Cola**.

Ray De Riggi joined **Dole** as president of the fresh vegetables unit. He was at **ConAgra**.

Ken Stickevers joined **McCormick** as general manager. He was at **Campbell Soup**.

Andrew Towle joined **Georgia Pacific** as GM of their consumer tissue business. He was at **Heinz** and **P&G**.

Again, some moves failed to utilize a highly-trained executive recruiter...or even our competitors:

John Carroll was named CEO of the US business for **Hain Celestial**. He ran most of the domestic business already.

David Hargreaves was named COO of **Hasbro**. He keeps his CFO role.

Robert Wright was named COO of **Pilgrim's Pride**, moving up from EVP of sales and marketing. Also, **Shane Butler** was promoted to SVP of prepared foods.

Debra Kelly-Ennis was named president of Canada for **Diageo**. She succeeds **John Kennedy**, who will run the business in Ireland. She was replaced as CMO of North America by **Jon Potter**.

Gene Lord was named COO of **Flowers Foods**. He ran the bakeries group, which generates 80% of the company's sales.

Jane Lauder was named SVP and GM of *Origins* at **Estee Lauder**. Yes, she is related.

Brendan Foley was promoted to president of foodservice at **Heinz**. He ran marketing for their frozen meals and snacks.

People News

Continued.

Sales and Marketing

Christian McMahan is joining **Heineken USA** as CMO. He was at **Diageo** and **Boston Beer**.

Jamie Mattikow rejoined **Kraft** as VP of pizza marketing. He was at **Mars** most recently.

Mike Barkley joined **Campbell Soup** as VP of ready-to-serve soup. He was at **J&J**, **Bristol-Myers Squibb**, and **Frito-Lay**.

Bill Pearce is joining **Del Monte Foods** as CMO. He was at **Taco Bell**, **Campbell Soup**, and **P&G**.

Reinaldo Padua joined **Coca-Cola** as AVP of Hispanic marketing. He was at **Zyman Group**, **Kraft**, and **P&G**.

Sarah Robb O'Hagan joined **PepsiCo** as CMO of **Gatorade**. She was at **Nike** and **Atari**.

Diane Dietz is joining **Safeway** as CMO. She was at **P&G** for 19 years.

Steve Michaelson joined **SuperValu** as CMO. He ran **Fresh Direct**, with early CPG roles at **P&G**, **Sara Lee**, and **Borden**.

Mike Riley joined **Hasbro** to run entertainment marketing. Also, **Bennett Schneur** joined to run their six-year movie partnership with **Universal**.

In those pesky internal moves:

Matt Nitzberg now runs the global CPG practice at **dunnhumby**. He has also worked at **IRI**, **Borden**, and **P&G**.

PepsiCo has named **Dave Burwick** as EVP, Commercial for their international business. He ran their Canadian unit for the last two years.

Jim Sterbenz moved to the **Campbell Soup** mothership after **Godiva** was sold. He is the VP of joint business planning.

Allen Shiver was named CMO of **Flowers Foods**. He ran their specialty group, and will have sales responsibility too.

Andy England will be CMO of **MillerCoors**, moving from the same role at **Molson Coors**.

Other Functions

John Butler joined **Pinnacle Foods** as EVP of HR. He was at **Toys "R" Us** and **Nabisco**.

In a rare outside hire, **Philip Duncan** is joining **P&G** as VP of design. He was at **Landor**, the firm focused on design and branding.

Wade Miquelon joined **Walgreen** as CFO. He was at **Tyson Foods**.

Dole Fresh Vegetables hired **Frank Davis** as SVP of operations and **Roger Billingsley** as SVP of R&D. Davis was at **Schwan Foods**, while Billingsley was at **Abbott Nutrition**.

Michael McKee joined **Purple Beverage** as VP of operations and logistics. He was at **Fuze**.

Geneviève Berger joined **Unilever** as chief R&D officer. She was a board member.

Peggy Foran joined **Sara Lee** as general counsel. She was at **Pfizer**.

Gary Glass joined **UST** as general counsel. He was at **Altria**.

Tarkan Gürken joined **Campbell Soup** as VP of development. He was at **Lehman Brothers**.

James O'Malley joined **Brown-Forman** as director of corporate affairs. He was at the **American Institute of Certified Public Accountants**, which was surely a thrill a minute.

Enough with the internal moves!

Alex Cummings was named **Coca-Cola's** chief administrative officer. He ran their Africa unit.

Bruce Brown was named chief technology officer at **P&G**.

People News

Continued.

Enough with the internal moves! continued

Lisa Caldwell was promoted to EVP of HR at **Reynolds American**.

David Van Bebber was promoted to general counsel at **Tyson**.

Andrew Gilchrist was named CIO at **RJ Reynolds**. He is also the CFO.

Robert Manly (a name I envy) was named CFO of **Smithfield Foods**. He was COO of one of their business units.

Boards of Directors

Rogelio Rebolledo joined the **Kellogg** board. He ran **Frito-Lay**'s international unit and was CEO of Mexico for **Pepsi Bottling Group**.

Bill Johnson is joining the board of Emerson, the electronics company. He is CEO of **Heinz**.

Cynthia Trudell joined the board of **Pepsi Bottling Group**. She is SVP of HR at **PepsiCo**.

Tracy Leinbach joined the **Hasbro** board. She was CFO at **Ryder**, the transportation company.

Virgis Colbert, **David Dangoor**, and **Nigel Travis** joined the **Lorillard** board. Colbert was at **Miller Brewing**, Dangoor is at a consultancy, and Travis is CEO of **Papa John's**.

Gil Cassagne, **Jack Belsito**, and **Joe Bayern** joined the **Boo Koo Holdings** board. All were once at **Cadbury Schweppes**.

Melanie Healey and **Roman Martinez** are joining the **Bacardi** board. She is a group president at **P&G**; he retired from **Lehman Brothers**.

Obituaries

Jack Simplot died at 99. He developed the first frozen French fries, supplying McDonald's and ultimately becoming a multi-billionaire.

Chuck Fruit died at 61, suffering a heart attack after a morning swim. He was once CMO of **Coca-Cola**, and he started at **Anheuser-Busch**.

Irvine Robbins died at 90. He co-founded **Baskin-Robbins**, famous for 31 flavors. (There were 34 with vanilla, chocolate, and strawberry, but who's counting?) After selling the chain in 1967, he bought a boat named *The 32nd Flavor*.

Harvey Schein died at 80. He ran **Sony**'s US business in the 1970's, doubling its size despite betting big on *Betamax* technology.

Fredric Baur died at 89. He invented the *Pringles* can at **P&G**, and was so proud he had his ashes buried in one. Seriously.

David Milton died at 69. He created *Thomas the Tank Engine*, a kids TV show that launched a toy line. The first Mr. Conductor was **Ringo Starr**; the second was recently-deseased **George Carlin**.

Wilbur Hardee died at 89. (No relation, by the way.) He founded the *Hardee's* burger chain, now with over 2,000 locations. He lost most of his stock playing poker, and he sold the rest for \$37,000.

Dorien Leigh died at 91. An early supermodel, she made *Fire* and *Ice* cosmetics famous for **Revlon** in the 1950's. She later ran a modeling agency and a Paris restaurant.

Robert Mondavi died at 94. He helped create the Napa Valley wine industry, starting a winery after his family fired him from **Krug**. As payback, he changed his name, from "mon-DAY-vi" to "mon-DAH-vi".

Marketing and Strategy

Careful...some of this stuff may actually work.

Anheuser-Busch and **Miller** are introducing cans for hunters...with camouflage graphics. Because we all know that nothing goes together like cold beer and high-powered rifles.

SABMiller is buying the US rights to distribute *Grolsch*, now held by **Anheuser-Busch**. As you know from an earlier issue, this became sticky when SABMiller bought Grolsch globally.

You can call *Almaden* and *Inglenook* lots of things, but not jug wines. Their new owner, **The Wine Group**, will use bag-in-box packaging exclusively. Environmental benefits are being trumpeted, but we suspect cost is the real driver.

In case you are done with sleeping, **Coca-Cola** launched *Full Throttle Coffee*. Apparently they actually paid someone to come up with the idea of (drum roll, please!) caffeinated coffee. The scariest thing: it comes in 15-ounce cans.

At a conference of 250 mayors, they succumbed to environmental hysteria and voted to **stop buying bottled water** for employees and functions. How about just recycling the bottles?

Wrigley has licensed the creation of lip balms based on several gum brands, including *Big Red* and *Juicy Fruit*. The licensee is **Lotta Luv**.

Kellogg responded to online petitions by bringing back *Hydrox* sandwich cookies for a limited time. The brand is actually four years older than *Oreo*, the market leader.

Boo Koo Holdings, the maker of energy drinks, will change their name to **Performing Brands**. It is more aspirational...but way less fun. Do you think their 79% sales decline was a factor?

Coca-Cola and **Cargill** have launched *Truvia*, a calorie-free sweetener. It is made from stevia, a South American bush, and it is an all-natural alternative to aspartame and sucralose.

Our new heroes are the winners of a national contest to see who can eat an *Oreo Double Stuf* cookie and drink a glass of milk fastest. In less important news, there's some sort of sports thing in China next month.

Hormel announced a partnership with the Culinary Institute of America. Their new *Culinary Enrichment and Innovation Program* will tackle big foodservice issues, such as the best ways to feature delicious and nutritious *Spam*. Or something like that.

Why do I find it so funny that **Amish Naturals** has introduced a microwave popcorn?

Free Thoughts

A value even at twice the price.

No wonder marketing gets a bad rap. We heard about a new product from **Med Gen**, an OTC company. It is called *FabULust*, and it is supposedly a female sexual stimulant. Their other product is probably *WasteUrMoney*.

The **latest ethics sermon** features Arul Malhotra, formerly of H-P. When he joined, he sent his boss proprietary pricing information about IBM, his prior employer. His new boss had no choice but to fire him, and he could face up to 10 years for stealing trade secrets.

The **other ethics sermon** features Anthony Tesvich, formerly of Home Depot. He was charged with conspiracy and tax evasion for a five-year scheme to get millions in kick-backs from would-be vendors.

I'm pretty sure beer is even higher. With gas prices soaring, **Molson Coors** turns waste beer into 3 million gallons of ethanol each year. In fact, they will power the flex-fuel vehicles used at the Democratic convention.

Free Thoughts

Continued.

We can celebrate the news that another study shows resveratrol – an ingredient in red wine – **slows aging in mice**. Unfortunately, to get the same dosage, we need to drink 100 bottles a day.

One of the **greatest inventions of all time** just turned 50. The inspiration for *Velcro* came when a Swiss engineer went for a walk in the woods...and then saw burrs stuck to his dog's fur.

Quarterly Earnings

We keep trying to find new ways to say "commodity costs are a problem".

Company	Earnings	Sales	Comments/Explanation
Boston Beer	\$4M loss	+ 18%	The recall of damaged bottles cost \$9 million.
British Amer. Tobacco	+ 21%	+ 16%	Emerging markets offset the US declines.
Brown-Forman	+ 48%	+ 12%	International was more than 50% of revenue for the first time.
Callaway Golf	+ 21%	+ 10%	Record sales were helped by international.
Campbell Soup	+ 145%	+ 7%	The gain came from one-timers like selling Godiva.
Carlsberg	\$27M loss	+ 6%	Hurt by the costs of acquiring Scottish & Newcastle.
ConAgra	+ 5%	+ 15%	The profit from ongoing operations was below expectations.
Constellation Brands	+ 50%	+ 3%	Better than expected, due to pricing and higher-end wines.
Del Monte Foods	+ 37%	+ 11%	Volume and pricing offset higher costs.
Diamond Foods	\$1M prof	+ 3%	They lost money last year because of restructuring costs.
Dr Pepper Snapple	+ 38%	+ 3%	Higher pricing offset volume declines.
Estee Lauder	- 4%	+ 11%	International strength did not offset weak US sales.
Flowers Foods	+ 26%	+ 11%	Above expectations as pricing and volume offset higher costs.
General Mills	- 17%	+ 13%	Excluding a loss on commodities hedge, profit grew 32%.
Hain Celestial	- 33%	+ 11%	Without one-time expenses, profit grew 20%.
Hansen Natural	+ 43%	+ 28%	Their <i>Monster</i> brand continues to be strong.
Heinz	+ 7%	+ 11%	Biggest price increase in 5 years offset higher commodities.
Hormel Foods	+ 14%	+ 6%	Helped by falling pork prices and strong <i>Spam</i> sales.
Imperial Sugar	\$16M loss	- 32%	Sales and profit hurt by their Savannah refinery explosion.
Imperial Tobacco*	- 45%	+ 38%	There were big one-time charges as they acquired Altadis.
InBev	- 11%	+ 5%	Hurt by lower sales in Brazil and higher commodity costs.
Johnson & Johnson	+ 8%	+ 9%	CPG strength offset pharmaceutical weakness.
Kodak	\$115M loss	+ 1%	Loss narrowed with no restructurings, but costs increased.
LeapFrog	\$27M loss	- 4%	They beat expectations as their turnaround continued.
McCormick	+ 29%	+ 11%	The consumer and industrial businesses both grew.
Molson Coors	Up 8x	+ 10%	Sales grew nicely in the US and Canada.
Pepsi Bottling Group	+ 7%	+ 5%	Growth in Europe and Mexico was especially strong.
Pilgrim's Pride	\$112M loss	+ 6%	Hurt by feed costs and restructuring.
Ralcorp	+ + +	+ 24%	All the profit gain came from their Vail Resorts investment.
Revlon	Breakeven	- 3%	Expenses were down from last year's hair color launch.
SABMiller**	+ 22%	+ 15%	Price increases and volume growth offset raw material costs.
Sanderson Farms	- 77%	+ 20%	Feed costs hurt, but not as much as expected.
Sara Lee	+ 82%	+ 10%	Results were still short of expectations, due to cost pressure.
Smithfield Foods	- 94%	+ 20%	Feed and energy costs – and lower hog prices – are to blame.
Smucker	- 13%	+ 20%	Profit hurt by raw material costs; sales helped by acquisitions.
Spectrum Brands	\$112M loss	+ 2%	Loss was cut in half versus last year, beating estimates.
TreeHouse Foods	- 72%	+ 39%	Profit pillaged partly pursuant to paring a pickle plant.
Unilever	+ 31%	Flat	Profit helped by asset sale and a new JV.

* 6-month results

** 12-month results