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Industry View  
In-Line

## Food

### Yogurt Tracker: Greek's Golden Age Hits Middle Age

Total yogurt sales increased 3.2% L4W, but remain up only 1.4% during L12W (Greek +5.4%, core cup -2.5%). On a company level, GIS has sustained positive share trends for the last 4 months (+113 bps L12W), aided by below-average pricing, while Chobani and Danone continue to cede share.

**Moderating Greek sales contributing to slower overall category trends:** While Greek improved sequentially L4W (+8%), growth of 5.4% L12W (volumes -2.5%) marks a sharp deceleration from 16.7% L52W, resulting in Greek's share of the category declining since mid-year. In contrast, core cup sales declined -2.5% L12W but have improved materially from DD declines a year ago. In aggregate, we believe the combination of increased industry capacity and higher distribution levels (now in line w/ core cup) suggest that the yogurt category – while still benefiting from exposure to broader secular trends – is unlikely to be the significant growth driver seen during the past several yrs.

**GIS – Broader share recovery a positive, but pricing tactics may weigh on margins:** Despite the deceleration in Greek yogurt overall, Mills' sales increased 48% during L12W, with market share of 10.7% up ~310 bps YoY. With normalizing sales declines in core cup (-1.4% L12W), Mills overall market share has recovered modestly to ~27% (below Chobani at ~32%). While encouraging, we believe this topline momentum may have come at the expense of margins, given Mills' price/mix (L12W) of -4.0% in Greek (vs. category +2.8%) and -1.0% in core cup (vs. category +3.2%) despite significant dairy inflation.

#### Mixed trends among other manufacturers: (1)

Danone's (covered by Eileen Khoo) growth moderated in Greek (+3.6% L12W), resulting in modest overall share declines (-70 bps), (2) Chobani continued to donate share off an extremely high base, with a 6.6% sales decline L12W (+0.5% L4W); (3) Fage total sales (+13.7%) remained consistent with L52W trends; and (4) Private Label continued to gain share in Greek (7.4%, +100 bps YoY during L12W), while ceding share in core cup.

#### Yogurt Trends in US Tracked Channels

	Dollar Y-o-Y Chg			\$ Share Y-o-Y Chg (bps)	
	Current	YAGO	2-Year	Current	YAGO
<b>Latest 4 Weeks</b>					
<b>Total Yogurt</b>	<b>3.2%</b>	<b>7.0%</b>	<b>5.1%</b>	-	-
Danone	0.2%	7.6%	3.8%	(95) bps	19 bps
General Mills	6.0%	(2.8%)	1.5%	72 bps	(267) bps
Chobani	0.5%	16.1%	8.0%	(45) bps	138 bps
Fage	11.0%	5.4%	8.1%	34 bps	(7) bps
Private Label	2.8%	(0.7%)	1.0%	(3) bps	(77) bps
Others	7.7%	38.7%	22.2%	37 bps	194 bps
<b>Greek Yogurt</b>	<b>8.0%</b>	<b>35.2%</b>	<b>20.8%</b>	-	-
Danone	3.1%	66.9%	31.2%	(153) bps	638 bps
General Mills	44.6%	38.3%	41.4%	277 bps	18 bps
Chobani	0.5%	16.1%	8.0%	(245) bps	(583) bps
Fage	11.0%	5.4%	8.1%	25 bps	(259) bps
Private Label	29.7%	67.0%	47.2%	128 bps	121 bps
Others	3.3%	48.4%	23.8%	(32) bps	65 bps
<b>Core Cup Yogurt</b>	<b>(1.5%)</b>	<b>(11.2%)</b>	<b>(6.5%)</b>	-	-
Danone	(2.8%)	(21.2%)	(12.4%)	(40) bps	(405) bps
General Mills	(0.9%)	(7.7%)	(4.4%)	28 bps	173 bps
Private Label	(9.6%)	(16.5%)	(13.1%)	(110) bps	(84) bps
Others	11.0%	32.2%	21.1%	122 bps	316 bps
<b>Latest 12 Weeks</b>					
<b>Total Yogurt</b>	<b>1.4%</b>	<b>9.5%</b>	<b>5.4%</b>	-	-
Danone	(0.7%)	13.5%	6.1%	(69) bps	112 bps
General Mills	5.8%	(2.1%)	1.8%	113 bps	(310) bps
Chobani	(6.6%)	13.4%	2.9%	(146) bps	62 bps
Fage	13.7%	9.9%	11.8%	54 bps	1 bps
Private Label	1.3%	3.1%	2.2%	(1) bps	(63) bps
Others	7.4%	43.2%	24.0%	49 bps	197 bps
<b>Greek Yogurt</b>	<b>5.4%</b>	<b>40.8%</b>	<b>21.8%</b>	-	-
Danone	3.6%	86.8%	39.1%	(56) bps	804 bps
General Mills	48.0%	68.8%	58.1%	309 bps	127 bps
Chobani	(6.6%)	13.4%	2.9%	(420) bps	(896) bps
Fage	13.7%	9.9%	11.8%	71 bps	(253) bps
Private Label	22.6%	90.0%	52.6%	104 bps	165 bps
Others	4.2%	51.7%	25.7%	(8) bps	53 bps
<b>Core Cup Yogurt</b>	<b>(2.5%)</b>	<b>(10.4%)</b>	<b>(6.5%)</b>	-	-
Danone	(5.0%)	(18.6%)	(12.1%)	(83) bps	(331) bps
General Mills	(1.4%)	(8.8%)	(5.2%)	49 bps	78 bps
Private Label	(8.6%)	(15.0%)	(11.8%)	(86) bps	(75) bps
Others	9.8%	37.2%	22.7%	120 bps	328 bps

Source: IRI MULO + C, Morgan Stanley Research

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October 8, 2014  
Food

## Yogurt Trends in US Tracked Channels

Exhibit 1

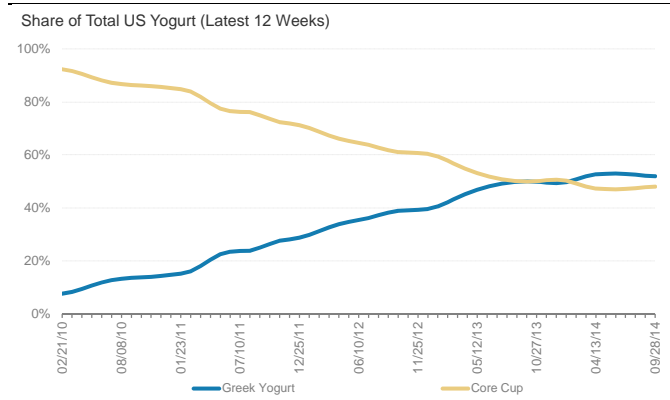
### 4-week Trends in Yogurt

	10/27/13	11/24/13	12/22/13	01/19/14	02/16/14	03/16/14	04/13/14	05/11/14	06/08/14	07/06/14	08/03/14	08/31/14	09/28/14	L12W	L52W
<b>Yogurt (Total)</b>															
Dollar Sales	6.5%	12.9%	0.2%	3.3%	6.5%	5.2%	6.9%	(0.7%)	2.4%	2.0%	(0.2%)	1.3%	3.2%	1.4%	3.7%
2-Yr Run-Rate	6.3%	8.6%	4.5%	2.2%	5.7%	5.5%	7.7%	4.7%	6.6%	6.6%	5.2%	6.0%	5.1%		
Volume Sales	2.3%	8.5%	(3.3%)	(0.5%)	1.3%	0.3%	2.5%	(5.3%)	(1.2%)	(2.2%)	(3.7%)	(2.5%)	(1.3%)	(2.5%)	(0.5%)
Price/Mix	4.2%	4.3%	3.5%	3.8%	5.1%	4.9%	4.4%	4.6%	3.7%	4.2%	3.6%	3.7%	4.5%	4.0%	4.2%
<b>Greek Yogurt</b>															
Dollar Sales	34.6%	41.5%	22.1%	24.5%	27.1%	21.6%	20.5%	9.7%	10.6%	8.7%	4.7%	3.5%	8.0%	5.4%	16.7%
2-Yr Run-Rate	41.0%	42.1%	35.0%	30.1%	33.8%	31.5%	32.5%	28.2%	29.2%	26.8%	22.5%	22.1%	20.8%		
Volume Sales	42.2%	46.8%	25.6%	26.6%	28.2%	20.1%	18.6%	7.7%	9.0%	6.7%	3.4%	0.5%	4.5%	2.8%	16.3%
Price/Mix	(7.6%)	(5.3%)	(3.5%)	(2.1%)	(1.1%)	1.5%	1.9%	2.0%	1.7%	2.1%	1.4%	3.0%	3.5%	2.5%	0.1%
<b>Non-Greek Yogurt</b>															
Dollar Sales	(11.6%)	(5.9%)	(14.5%)	(11.9%)	(9.7%)	(8.5%)	(5.1%)	(10.4%)	(5.5%)	(4.4%)	(5.0%)	(1.0%)	(1.5%)	(2.5%)	(7.4%)
2-Yr Run-Rate	(10.8%)	(8.5%)	(11.2%)	(13.2%)	(11.1%)	(10.8%)	(8.4%)	(10.8%)	(8.5%)	(7.4%)	(7.3%)	(5.8%)	(6.5%)		
Volume Sales	(11.7%)	(5.6%)	(14.3%)	(11.4%)	(10.3%)	(9.1%)	(5.6%)	(12.2%)	(6.8%)	(7.0%)	(7.7%)	(4.2%)	(4.6%)	(5.5%)	(8.5%)
Price/Mix	0.1%	(0.3%)	(0.3%)	(0.5%)	0.7%	0.6%	0.6%	1.8%	1.4%	2.6%	2.6%	3.2%	3.1%	3.1%	1.3%
<b>Share of Total Yogurt</b>															
Greek \$ Share	49.4%	49.6%	49.0%	50.4%	52.5%	52.7%	52.8%	53.1%	53.0%	52.5%	52.3%	51.8%	51.9%	52.0%	51.7%
Non-Greek \$ Share	50.6%	50.4%	51.0%	49.6%	47.5%	47.3%	47.2%	46.9%	47.0%	47.5%	47.7%	48.2%	48.1%	48.0%	48.3%
Greek Volume Share	36.1%	36.4%	35.7%	36.4%	38.4%	38.7%	38.8%	39.2%	39.1%	38.6%	38.4%	38.1%	38.4%	38.3%	37.9%
Non-Greek Volume Share	63.9%	63.6%	64.3%	63.6%	61.6%	61.3%	61.2%	60.8%	60.9%	61.4%	61.6%	61.9%	61.6%	61.7%	62.1%
<b>Greek % price gap</b>															
	73%	72%	73%	78%	77%	77%	77%	76%	75%	75%	76%	75%	73%	74%	75%
<b>GIS Share of Yogurt</b>															
GIS Share of Yogurt	27.2%	26.1%	25.8%	26.8%	26.2%	26.3%	25.7%	24.9%	25.1%	26.0%	26.3%	27.5%	27.4%	27.1%	26.3%
GIS Share of Greek	8.5%	7.6%	7.2%	8.0%	9.1%	9.6%	9.1%	8.7%	9.4%	9.8%	10.2%	11.1%	10.9%	10.7%	9.2%
GIS Share of Non-Greek	45.5%	44.3%	43.7%	45.8%	45.1%	44.8%	44.4%	43.4%	42.8%	43.8%	43.9%	45.2%	45.1%	44.8%	44.5%
<b>General Mills</b>															
Total Yogurt	(3.5%)	(0.5%)	(10.6%)	(6.0%)	(2.1%)	(0.3%)	2.0%	(4.9%)	2.0%	3.2%	2.9%	8.5%	6.0%	5.8%	(0.2%)
2-Yr Run-Rate	(4.7%)	(3.3%)	(6.8%)	(6.5%)	(3.0%)	(2.9%)	(1.1%)	(4.7%)	(0.8%)	0.7%	0.4%	3.4%	1.5%		
Greek \$ Sales	33.7%	31.9%	20.8%	23.9%	27.4%	31.9%	30.9%	18.9%	39.6%	42.4%	43.4%	56.2%	44.6%	48.0%	34.8%
Non-Greek \$ Sales	(8.2%)	(4.5%)	(14.1%)	(9.9%)	(6.9%)	(5.8%)	(2.9%)	(9.0%)	(4.4%)	(3.4%)	(4.0%)	0.5%	(0.9%)	(1.4%)	(5.7%)

Source: IRI MULO + C, Morgan Stanley Research

Exhibit 2

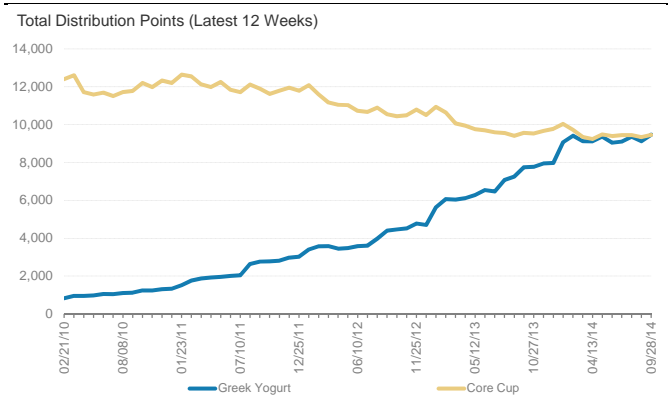
### Share of Total US Yogurt: Greek Slightly Over ~50%



Source: IRI MULO + C, Morgan Stanley Research

Exhibit 3

### Total Distribution Points: Equivalent in Greek/Core

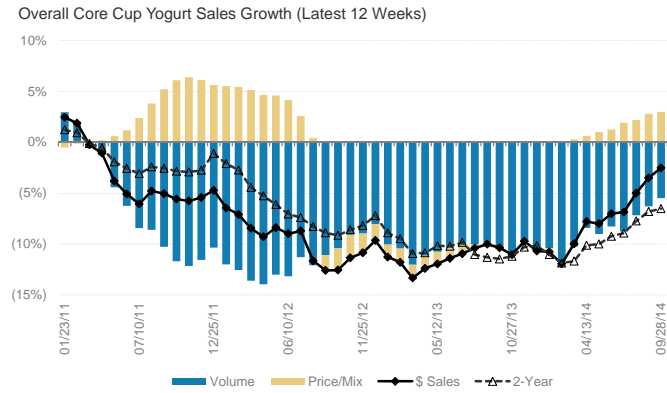


Source: IRI MULO + C, Morgan Stanley Research

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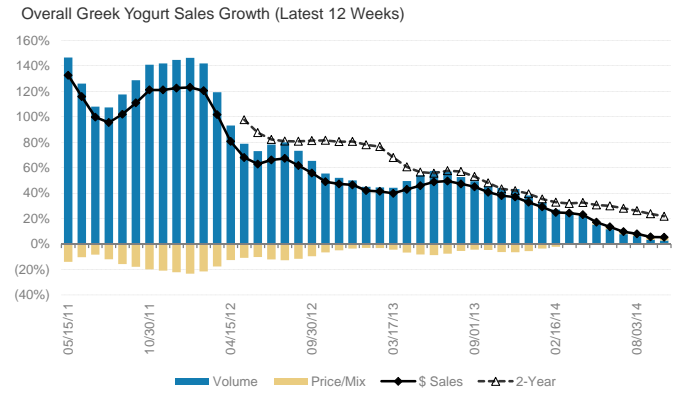
## Yogurt Category and Company Trends

**Exhibit 4**  
**Overall Core Cup Yogurt YoY Sales Growth**



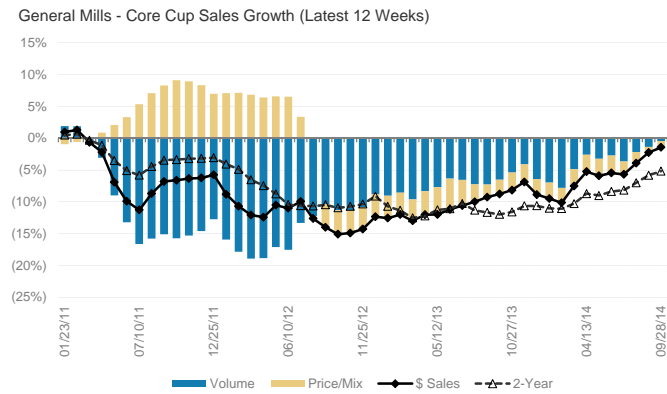
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 7**  
**Overall Greek Yogurt YoY Sales Growth**



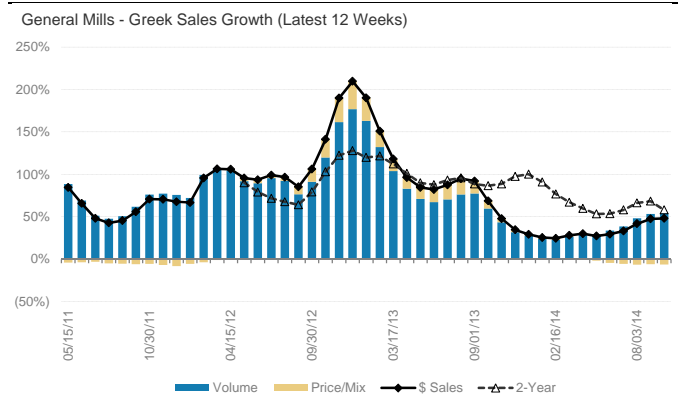
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 5**  
**General Mills Core Cup YoY Sales Growth**



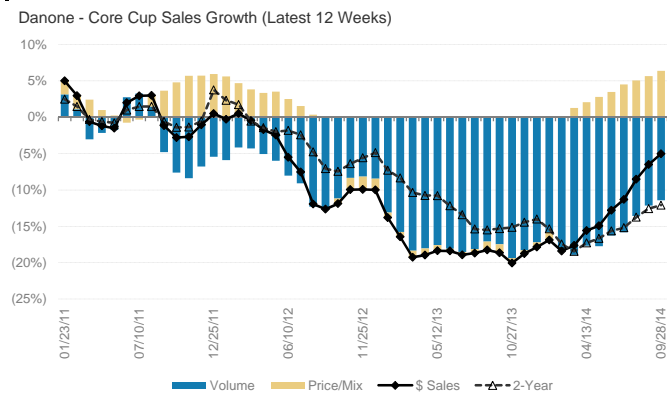
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 8**  
**General Mills Greek Yogurt YoY Sales Growth**



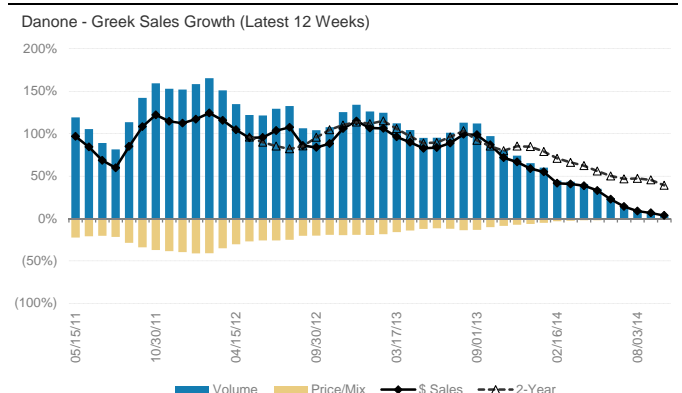
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 6**  
**Danone Core Cup YoY Sales Growth**



Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 9**  
**Danone Greek Yogurt YoY Sales Growth**

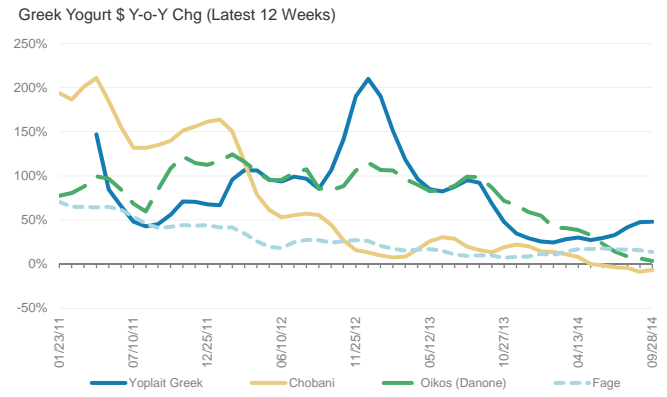


Source: IRI MULO + C, Morgan Stanley Research

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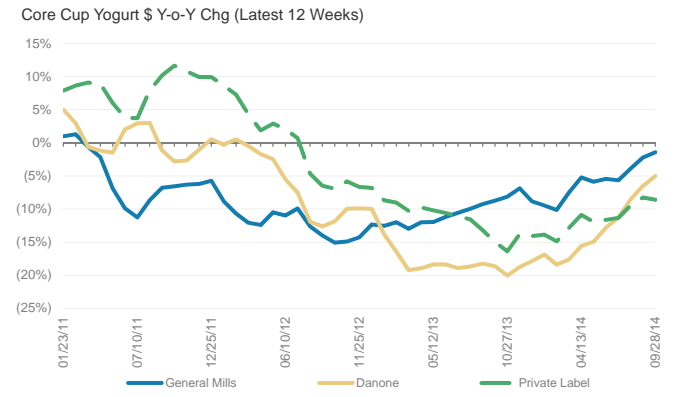
## Yogurt Trends in US Tracked Channels (Continued)

**Exhibit 10**  
**Greek Yogurt \$ YoY Growth: Category +5.4% L12W**



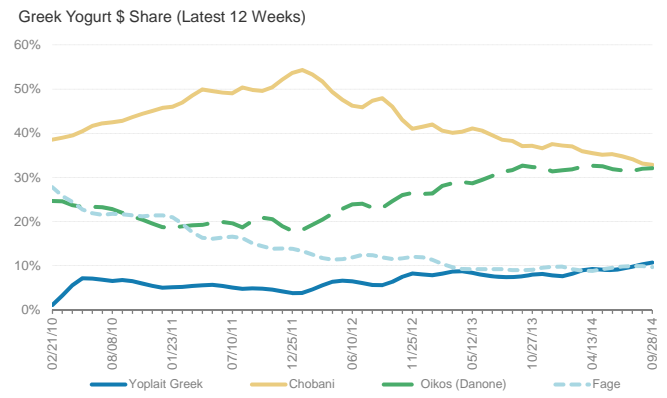
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 13**  
**Core Cup \$ Y-o-Y Growth: Category -2.5% L12W**



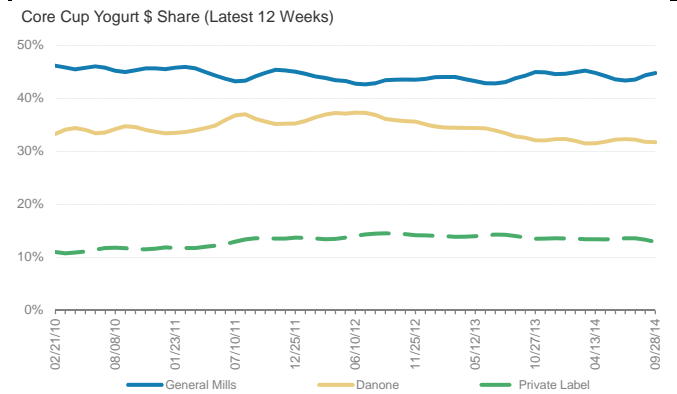
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 11**  
**Greek Yogurt \$ Share by Manufacturer**



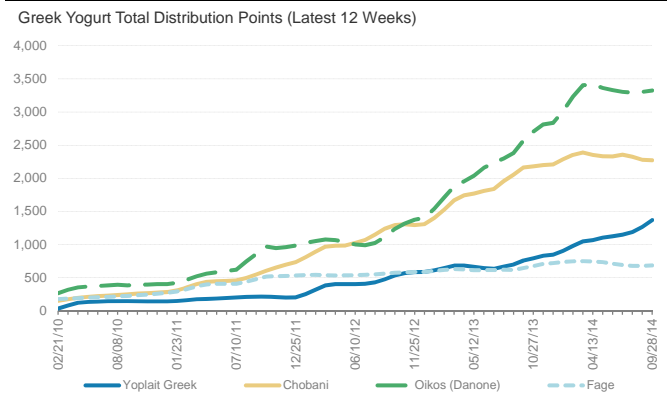
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 14**  
**Core Cup Yogurt \$ Share by Manufacturer**



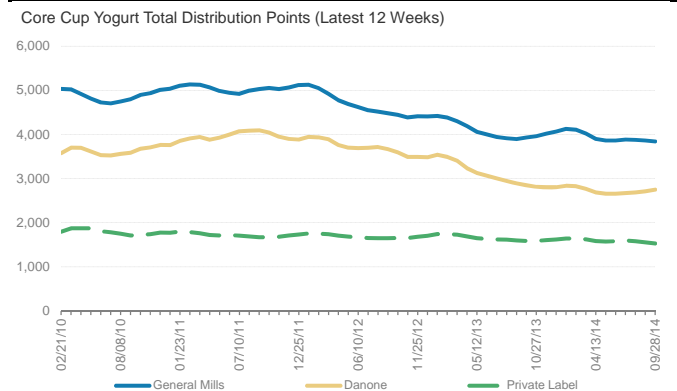
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 12**  
**Greek Yogurt Distribution Points: +27% L12W**



Source: IRI MULO + C, Morgan Stanley Research

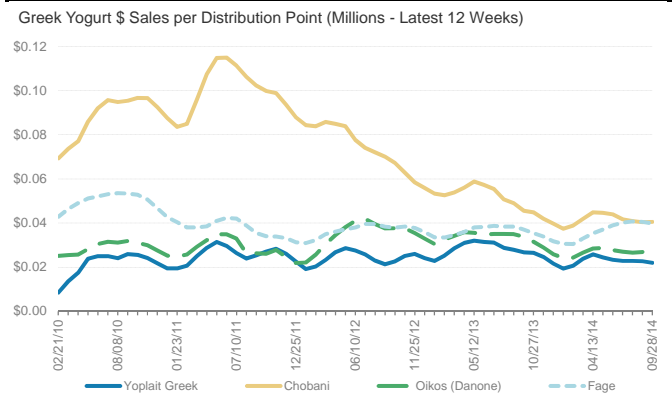
**Exhibit 15**  
**Core Cup Yogurt Distribution Points: -1% L12W**



Source: IRI MULO + C, Morgan Stanley Research

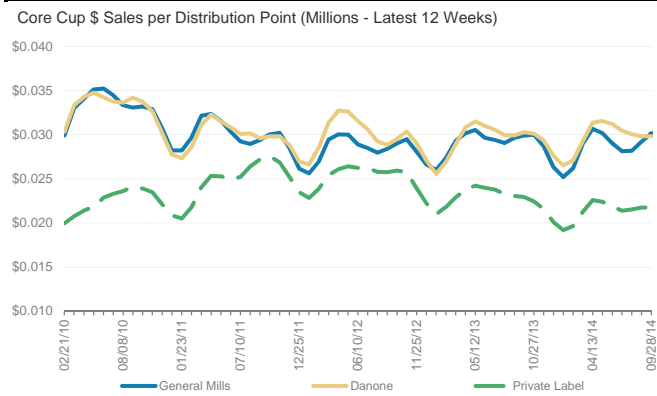
## Yogurt Trends in US Tracked Channels (Continued)

**Exhibit 16**  
**Greek Yogurt \$ Sales per Point of Distribution**



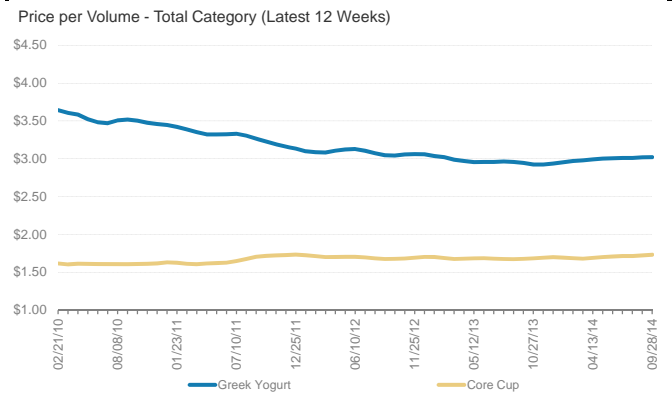
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 18**  
**Core Cup \$ Sales per Point of Distribution**



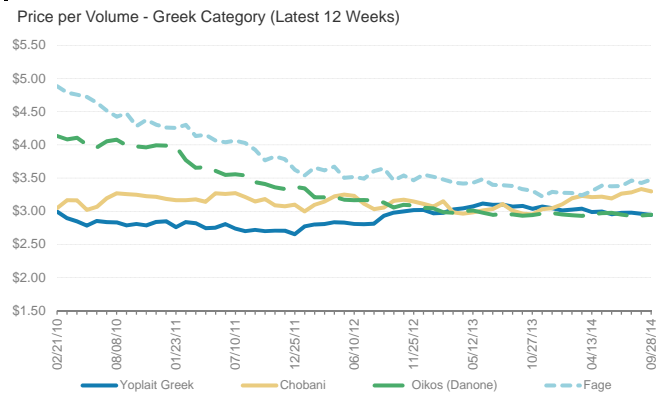
Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 17**  
**Greek vs. Core Cup Price Gaps: Currently ~74%**



Source: IRI MULO + C, Morgan Stanley Research

**Exhibit 19**  
**Greek Price/Unit: Fage Still at Slight Premium**



Source: IRI MULO + C, Morgan Stanley Research

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### Global Stock Ratings Distribution

(as of September 30, 2014)

For disclosure purposes only (in accordance with NASD and NYSE requirements), we include the category headings of Buy, Hold, and Sell alongside our ratings of Overweight, Equal-weight, Not-Rated and Underweight. Morgan Stanley does not assign ratings of Buy, Hold or Sell to the stocks we cover. Overweight, Equal-weight, Not-Rated and Underweight are not the equivalent of buy, hold, and sell but represent recommended relative weightings (see definitions below). To satisfy regulatory requirements, we correspond Overweight, our most positive stock rating, with a buy recommendation; we correspond Equal-weight and Not-Rated to hold and Underweight to sell recommendations, respectively.

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)		
	Count	% of Total	Count	% of Total IBC	% of Rating Category
<b>Overweight/Buy</b>	<b>1113</b>	<b>35%</b>	<b>353</b>	<b>40%</b>	<b>32%</b>
<b>Equal-weight/Hold</b>	<b>1390</b>	<b>44%</b>	<b>410</b>	<b>47%</b>	<b>29%</b>
<b>Not-Rated/Hold</b>	<b>109</b>	<b>3%</b>	<b>21</b>	<b>2%</b>	<b>19%</b>
<b>Underweight/Sell</b>	<b>575</b>	<b>18%</b>	<b>96</b>	<b>11%</b>	<b>17%</b>
<b>Total</b>	<b>3,187</b>		<b>880</b>		

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months.

#### Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

#### Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

#### Stock Price, Price Target and Rating History (See Rating Definitions)

October 8, 2014  
Food

Danone (DAND.PA) - As of 10/7/14 in EUR  
Industry : Food Producers



Stock Rating History: 10/1/11 : O/A; 8/6/12 : E/A; 2/11/13 : U/I; 5/13/14 : E/I; 7/15/14 : O/I

Price Target History: 4/26/11 : 55; 6/19/12 : 52; 8/6/12 : 51; 10/17/12 : 46; 2/11/13 : 45; 4/16/13 : 49; 3/28/14 : 48; 5/13/14 : 55; 7/15/14 : 63

Source: Morgan Stanley Research      Date Format : MM/DD/YY      Price Target ---      No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) ---      Stock Price (Covered by Current Analyst) ■  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

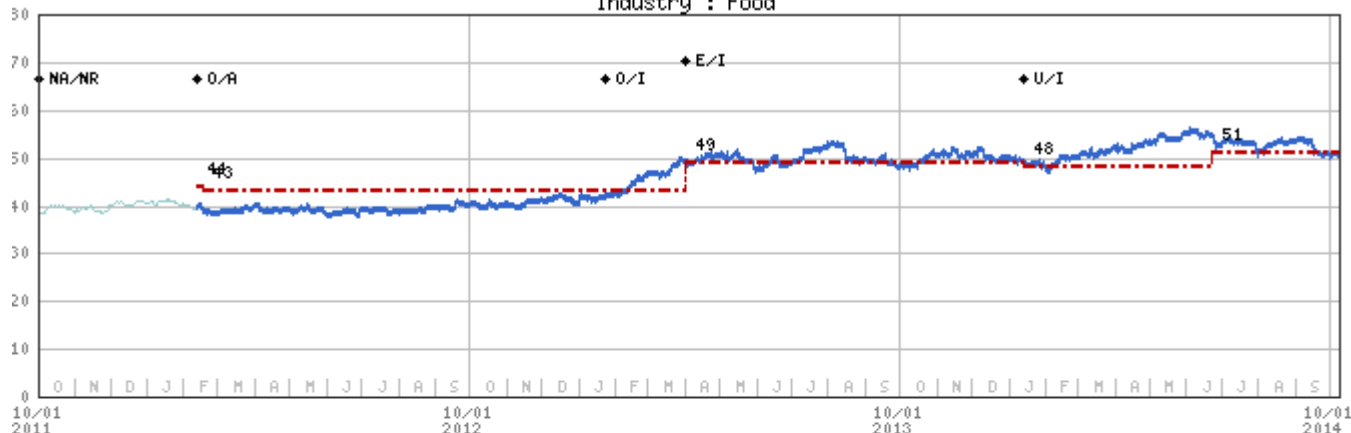
Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.



October 8, 2014

Food

General Mills Inc (GIS.N) - As of 10/7/14 in USD  
Industry : Food



Stock Rating History: 10/1/11 : NA/NR; 2/13/12 : O/A; 1/24/13 : O/I; 4/1/13 : E/I; 1/14/14 : U/I

Price Target History: 2/13/12 : 44; 2/17/12 : 43; 4/1/13 : 49; 1/14/14 : 48; 6/23/14 : 51

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target - - No Price Target Assigned (NA)  
 Stock Price (Not Covered by Current Analyst) - - Stock Price (Covered by Current Analyst) - -  
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View  
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) No Rating Available (NA)  
 Industry View: Attractive (A) In-line (I) Cautious (C) No Rating (NR)

Effective January 13, 2014, the stocks covered by Morgan Stanley Asia Pacific will be rated relative to the analyst's industry (or industry team's) coverage.

Effective January 13, 2014, the industry view benchmarks for Morgan Stanley Asia Pacific are as follows: relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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## Industry Coverage: Food

Company (Ticker)	Rating (as of)	Price* (10/07/2014)
<b>Matthew Grainger</b>		
Campbell Soup Co (CPB.N)	U (02/13/2012)	\$42.31
ConAgra Foods Inc. (CAG.N)	E (04/03/2014)	\$33.29
Dean Foods Co (DF.N)	E (12/09/2013)	\$13.3
General Mills Inc (GIS.N)	U (01/14/2014)	\$50.18
Hershey Co (HSY.N)	E (02/13/2012)	\$92.61
J. M. Smucker Co (SJM.N)	E (04/03/2014)	\$97.25
Kellogg Co. (K.N)	U (09/30/2014)	\$60.18
Kraft Foods Group, Inc. (KRFT.O)	O (12/09/2013)	\$55.56
Mead Johnson Nutrition Co. (MJN.N)	E (07/05/2013)	\$96.34
Mondelez International Inc (MDLZ.O)	O (02/13/2012)	\$33.92
Pinnacle Foods Inc (PF.N)	E (07/15/2014)	\$32.12
WhiteWave Foods Co (WWAV.N)	O (07/01/2013)	\$36.06

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\* Historical prices are not split adjusted.